



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
Fiscal Year Ended June 30, 2020



**SANTA FE, NEW MEXICO**

**NEW MEXICO FINANCE AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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# Introduction

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Government Finance Officers Association

Certificate of  
Achievement  
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Presented to

**New Mexico Finance Authority**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada awarded the New Mexico Finance Authority a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. We believe our current CAFR also meets the Certificate of Achievement Program's requirements.



# NEW MEXICO FINANCE AUTHORITY

October 9, 2020

Hon. Brian S. Colón, State Auditor, Esq.  
Office of the State Auditor  
2540 Camino Edward Ortiz, Suite A  
Santa Fe, NM 87507

We are pleased to submit the New Mexico Finance Authority's (NMFA) annual audit report for the fiscal year ended June 30, 2020. We are presenting it as a Comprehensive Annual Financial Report (CAFR) in pursuit of excellence in financial reporting. This is the second year NMFA has prepared a CAFR.

## ***Introduction***

It is the responsibility of the NMFA to prepare the CAFR and to ensure both the accuracy of the data and the completeness and fairness of the presentation and associated disclosures. To the best of our knowledge, the information contained in the CAFR is accurate in all material respects and fairly presents NMFA's financial position and results of operation. We have prepared the financial statements using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). We also voluntarily follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for some of the material in the CAFR.

The NMFA has a system of internal controls designed to protect its assets from loss, theft or misuse and to ensure that reliable accounting data are available for the timely preparation of financial statements. The internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the anticipated benefits and that the valuation of costs and benefits requires estimates and judgments by management.

Moss Adams LLP, an independent public auditor approved by the New Mexico Office of the State Auditor, has audited our financial statements. The audit includes a federally mandated "Single Audit" of the federal grant program operated as the Drinking Water State Revolving Loan Fund (DWSRLF), covering the internal controls and compliance with legal requirements involving the administration of federal funds received, as well as the fair presentation of the associated financial statements. Moss Adams has rendered an unmodified opinion as to the material accuracy and fairness of the financial statements featured in the CAFR. Their report appears in the financial information following this introduction.

## ***Profile of the Organization***

The NMFA is a public body politic and corporate formed in 1992. Although it was created by the New Mexico State Legislature, it operates separately and apart from New Mexico State

government as a governmental instrumentality of the State. Its mandate is to coordinate the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. NMFA is presented as a blended component unit in the State's CAFR.

NMFA has a staff of 44 positions, including a Chief Executive Officer (CEO). The NMFA Board of Directors (NMFA Board) approves NMFA's annual budget, bond issuances and all loan and grant agreements. It also appoints the CEO, who directs the business and affairs of the organization, subject to the direction and policies set by the NMFA Board. In December 2019, the Board appointed a new CEO, Marquita Russel. Until then, the CEO position was held by an interim appointee named near the end of the prior governor's administration. Ms. Russel has 30 years of experience in marketing, underwriting, asset management and program compliance for a variety of public and private organizations. She joined NMFA in September 2000 and has served the majority of her tenure on the senior management team as NMFA's Chief of Programs. Prior to NMFA, Ms. Russel worked for the Illinois Development Finance Agency for 10 years.

NMFA has established itself as a reliable partner in capital project planning and financing in New Mexico through a number of public and private lending and grant programs, all operated as discrete enterprises within the organization:

#### Public Lending and Grant Programs

- ◆ Public Project Revolving Fund (PPRF)
- ◆ Drinking Water State Revolving Loan Fund (DWSRLF)
- ◆ Water Project Fund (WPF)
- ◆ Colonias Infrastructure Fund (CIF)
- ◆ Local Government Planning Fund (LGPF)

#### Private Lending

- ◆ Behavioral Health Capital Fund (BHCF)
- ◆ Primary Care Capital Fund (PCCF)
- ◆ Economic Development Revolving Fund (ED)
- ◆ State Small Business Credit Initiative (SSBCI)
- ◆ New Markets Tax Credits Program (NMTC)

The largest of these programs is the PPRF. It provides cost-effective financing in a pooled loan program that benefits individual borrowers through economies of scale, as well as by leveraging its AAA and Aa1/Aa2 bond ratings. The PPRF accounts for most of NMFA's financial activity, including 85.2% of operating revenue and 92.2% of the total loan portfolio of \$1.7 billion.

The ED program encompasses both the Smart Money (SM) program and the newly created Essential Services Working Capital Program (ESWCP).

## *Demographical and Economic Setting*

The market NMFA serves is made up of 33 counties, 106 municipalities, 23 tribes and pueblos, 89 school districts and more than 1,500 water systems that operate in New Mexico.<sup>1</sup> While not all of these entities are active borrowers or grantees at any given time, many are either currently or have been clients at one point in NMFA's 28-year history.

NMFA's programs distribute financing throughout the state of New Mexico. New Mexico is predominantly rural. It is the state with the 5<sup>th</sup> largest land mass in the United States but ranks 36<sup>th</sup> in population. Population growth has been slow but steady since New Mexico entered the union as the 47<sup>th</sup> state in 1912. The estimated population of the state as of January 2020 was 2.1 million, a 14.5% increase from 2010.<sup>2</sup> This compares to growth of 6.7% nationally and 13.0% for the Southwest Region.<sup>3</sup> Population growth increases demand for NMFA's services from local government clients to finance the expansion of services, and it also increases the tax base for the Governmental Gross Receipts Tax (GGRT), 75% of which is allocated to NMFA's PPRF program.

There are four Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA comprises Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA comprises Doña Ana County; the Santa Fe MSA comprises Santa Fe County; and the Farmington MSA comprises San Juan County. By order of size, as of March 2020, the Albuquerque MSA had a resident population of 918,018; Las Cruces, 218,195; Santa Fe, 150,358; and Farmington, 123,958.<sup>4</sup>

New Mexico's civilian labor force was composed of approximately 968.7 thousand workers as of March 2020.<sup>5</sup> COVID-19 caused a drop in this statistic. By June 2020, three months into the public health emergency order, it stood at 921.8 thousand.<sup>6</sup>

Before COVID-19, New Mexico's economy had been led by the Mining (Oil), Health Care and Information sectors.<sup>7</sup>

The largest employers in New Mexico make up just over 10% of the total state employment. With two national laboratories and four military bases, New Mexico is heavily dependent upon government funding. Three of the largest employers, employing over 50,000 residents, are funded by the federal government.

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<sup>1</sup> [https://webnew.ped.state.nm.us/information/school-district-websites/http://nmdfa.state.nm.us/uploads/FileLinks/ff1373ca37bb4c4f800f868687821827/Property\\_Tax\\_Facts\\_2018\\_2.pdf](https://webnew.ped.state.nm.us/information/school-district-websites/http://nmdfa.state.nm.us/uploads/FileLinks/ff1373ca37bb4c4f800f868687821827/Property_Tax_Facts_2018_2.pdf)

<sup>2</sup> Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/NMPOP#0>

<sup>3</sup> Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/NMPOP#0>

<sup>4</sup> <https://fred.stlouisfed.org/series/ABQPOP>

<sup>5</sup> [https://www.bls.gov/regions/southwest/new\\_mexico.htm#eag](https://www.bls.gov/regions/southwest/new_mexico.htm#eag)

<sup>6</sup> US Bureau of Labor statistics, [https://www.bls.gov/regions/southwest/new\\_mexico.htm#eag](https://www.bls.gov/regions/southwest/new_mexico.htm#eag)

<sup>7</sup> <https://bber.unm.edu/media/presentations/NewMexicoEconomyRecentDevelopmentsAndOutlook201801.pdf>

## Largest Employers in New Mexico (2019)<sup>8</sup>

<u>Entity Name</u>	<u>Estimated Employees</u>	<u>% Total State Employment</u>
Federal Government	21,874	2.4
State of New Mexico (total offices, departments, etc.)	18,359	2.0
Walmart Corporate	14,532	1.6
UNM (Campuses, Hospital, Medical Group, Etc.)	13,555	1.5
Los Alamos National Laboratories	11,738	1.3
Sandia National Laboratories	11,400	1.3
Presbyterian Healthcare	11,178	1.2
Albuquerque Public Schools	10,007	1.1
City of Albuquerque	5,800	0.6
Blake's Lotaburger	4,000	0.4

In terms of Gross Domestic Product (GDP), the size of the state economy as of the 1<sup>st</sup> quarter of 2020, just prior to the COVID-19 emergency, was \$103.5 billion, having grown \$0.9 billion (1%) since the 1<sup>st</sup> quarter of 2019.<sup>9</sup>

### ***Key Initiatives***

NMFA's two main objectives in fiscal year 2020 were strategic planning and technology improvement.

#### Strategic Planning

In September 2018, the NMFA Board adopted a strategic plan that would guide the organization through the transition from the outgoing governor's administration to the incoming administration and beyond. In January 2020, the new NMFA Board affirmed the adoption of the strategic plan and sought to put this plan into operation. The vision is NMFA as New Mexico's partner in building economic prosperity and stronger communities. The mission is to advance New Mexico by financing impactful, well-planned projects.

The strategic plan makes clear that NMFA intends to continue in its long-established role as a facilitator of capital financing in New Mexico and to build on its reputation as a trustworthy partner offering formidable analytical skills and an extensive knowledge of the public financing landscape in the state.

The strategic plan set out an actionable framework that provides the logic for subsequent policy pursuits and annual work plans, as well as the priority of the key projects.

<sup>8</sup> State of New Mexico Comprehensive Annual Financial Report, for the Fiscal Year Ended June 30, 2019, p. 347

<sup>9</sup> US Bureau of Economic Analysis, [https://www.bea.gov/sites/default/files/2020-07/qgdpstate0720\\_0\\_0.pdf](https://www.bea.gov/sites/default/files/2020-07/qgdpstate0720_0_0.pdf)

## **Strategic Framework:**

***Collaborative Financing:*** NMFA will collaborate with partners to evolve administration of project financing. NMFA will leverage its resources and talent to provide support and technical assistance to stakeholders.

***Operational Excellence:*** NMFA will set the standard for the best organizational work practices, financial management, management of information and technology, and an engaged team of professionals. NMFA will maintain accurate and efficient operations.

***Integrated Project Planning:*** NMFA will work with clients and related agencies to achieve effective project planning and the efficient deployment of resources. NMFA, through partnerships with private industry and the executive and legislative branches, will create tools for coordinating projects. NMFA will promote practices for the rapid deployment of resources.

***Capacity Building:*** NMFA will cultivate a fertile environment for the growth and diversification of the New Mexico economy. NMFA will build capacity for financing, project execution and completion through education, outreach and leveraging available (local, state and federal) assets, talent, technology and programs, resulting in more effective solutions to New Mexico's development needs.

In fiscal year 2020, NMFA sought to align its business processes and institutional culture with the strategic plan. The biggest step it took in this direction was a reorganization of the management structure. Previously management was organized around programs. The new structure emphasized desired outcomes over outputs and cross-cutting functions over programmatic specialization. The new organizational alignment focused on lending, monitoring and compliance in the expectation that greater functional efficiency would lead to better programmatic outcomes. A key change was the creation of a Chief of Program Operations position to oversee all program administration, including lending and monitoring. Another strategic move was the build-up of external communication and customer outreach capability through the creation of a Communications & Outreach Manager position and a complete redesign of NMFA's website.

Beyond a realignment of the organizational chart, NMFA also made two major policy changes informed by its strategic plan. One was to appropriate \$12 million in cash reserves to capitalize a new lending program aimed at a market it deemed to be underserved in the health care industry. Another policy change was to no longer charge administrative fees for new PPRF loans to make capital investment more feasible for its clients.

### Technology Improvement

NMFA is partway through the process of replacing its legacy loan servicing system with a state-of-the-art system. When completely implemented, the new system will integrate the entire loan servicing process from client application to general ledger. Clients will be able to apply for loans online and monitor progress of their applications, and NMFA staff will be able to rely on an automated process to journalize all loan servicing transactions. Both clients and NMFA staff will be able to rely on standard reports generated from the new system to meet their respective financial reporting needs.

In fiscal year 2020, the new loan servicing system became the official sub-ledger of record for four of NMFA's public entity programs: WPF, DWSRLF, CIF, and LGPF. The objective in fiscal year 2021 is to do the same for the private lending programs as well as the PPRF.

### ***Budget Performance***

NMFA's budget performance compares favorably against the approved fiscal year 2020 budget and aligns with the strategic plan.

The two most salient events during the fiscal year were a \$12 million amendment to the budget to launch a new lending program and a state public health emergency order in March caused by the spread of COVID-19 in New Mexico. The Board-approved budget amendment transferred the cash fund balances to capitalize the Essential Services Working Capital Program and, through it, to reach an underserved market of health care providers and other cash-strapped businesses critical to operations during the public health order. The emergency order caused NMFA to make unplanned changes to some of its operations so it could continue to do business with most of the staff working remotely. Budgeted projects were set aside and others were brought forward quickly, mostly new technology to keep the staff connected and operating efficiently in a remote environment. Despite the challenge, NMFA was able to accomplish its mission of serving as a reliable source of financing for a broad range of public and private projects to build economic prosperity and stronger communities in New Mexico.

Total revenues exceeded budget by 9.5%. Operating expenditures came in 6.1% below budget. Non-operating expenditures, which are driven by NMFA's activity in the bond market, exceeded what was forecast in the budget by 7.8%.

### FY 2020 Approved Budget vs. Actual

	Approved Amended	Actual Year-End	\$ Variance	% Variance
<b>Revenues</b>				
Interest income from loans	\$ 51,600,000	\$ 52,179,889	\$ 579,889	1.1%
Grant revenue	44,600,000	31,382,357	(13,217,643)	(29.6%)
Appropriation revenue	38,900,000	50,326,048	11,426,048	29.4%
Interest income from investments	2,850,000	6,003,467	3,153,467	110.6%
Administrative fees revenue	3,500,000	7,278,445	3,778,445	108.0%
Reimbursement to/from Programs	-	7,691,220	7,691,220	100.0%
<b>Total Revenues</b>	<u>141,450,000</u>	<u>154,861,426</u>	<u>13,411,426</u>	<u>9.5%</u>
<b>Transfers to Other Agencies</b>	<u>-</u>	<u>(313,372)</u>	<u>(313,372)</u>	<u>(100.0%)</u>
<b>Operating Expenses</b>				
Salaries and benefits	5,338,536	5,190,702	(147,834)	(2.8%)
Contractual services	3,556,750	3,266,079	(290,671)	(8.2%)
Operations	1,068,699	902,283	(166,416)	(15.6%)
<b>Total Operating Expenses</b>	<u>9,963,985</u>	<u>9,359,064</u>	<u>(604,921)</u>	<u>(6.1%)</u>
<b>Non-operating Expenses</b>				
Bond interest expense	47,000,000	57,953,540	10,953,540	23.3%
Bond issuance costs	2,000,000	1,243,666	(756,334)	(37.8%)
Loan financing pass-through	7,000,000	10,640,130	3,640,130	52.0%
Grants to others	37,910,000	31,480,701	(6,429,299)	(17.0%)
Other expense	180,000	66,742	(113,258)	(62.9%)
Capital expenditures	276,000	454,963	178,963	64.8%
Interest expense	150,000	7,826	(142,174)	(94.8%)
<b>Total Non-operating Expenses</b>	<u>94,516,000</u>	<u>101,847,568</u>	<u>7,331,568</u>	<u>7.8%</u>
<b>Total Expenses and Transfers</b>	<u>104,479,985</u>	<u>110,893,260</u>	<u>6,413,275</u>	<u>6.1%</u>
<b>Revenue Over Expenses and Transfers</b>	<u>\$ 36,970,015</u>	<u>\$ 43,968,166</u>	<u>\$ 6,998,151</u>	<u>18.9%</u>

Costs of \$2.0 million for five different bond issuances and \$7.0 million in premiums on bonds issued by local governments through NMFA as simultaneous bond-loan closings were budgeted. Capital market conditions and demand by borrowers shifted, however, and NMFA ultimately spent only \$1.2 million for three bond series. This raised \$166.6 million in new capital for the PPRF lending program and \$10.6 million in premiums for simultaneous bond-loans, all of which was passed through to the respective local governments.

The effect of the public health emergency order caused by COVID-19 is reflected in the actual budget as a net reduction in operating costs. The work-from-home order came just before the organization's travel season. As a result, all planned activities that required travel or in-person engagement were not executed. The savings was such that it exceeded unplanned expenditures to accommodate working from home by more than \$166,000.

The COVID-19 effect on revenue is not appreciable through year-end, at least in part because the emergency arose when the fiscal year was almost over. Debt service payments came in as expected. For revenue not tied to debt service, appropriation and interest on investments, the momentum through March carried it above budget by more than \$14.6 million.

Readers of the NMFA CAFR should review Management’s Discussion and Analysis, which begins on page 15 and continues through page 42.

***Acknowledgements***

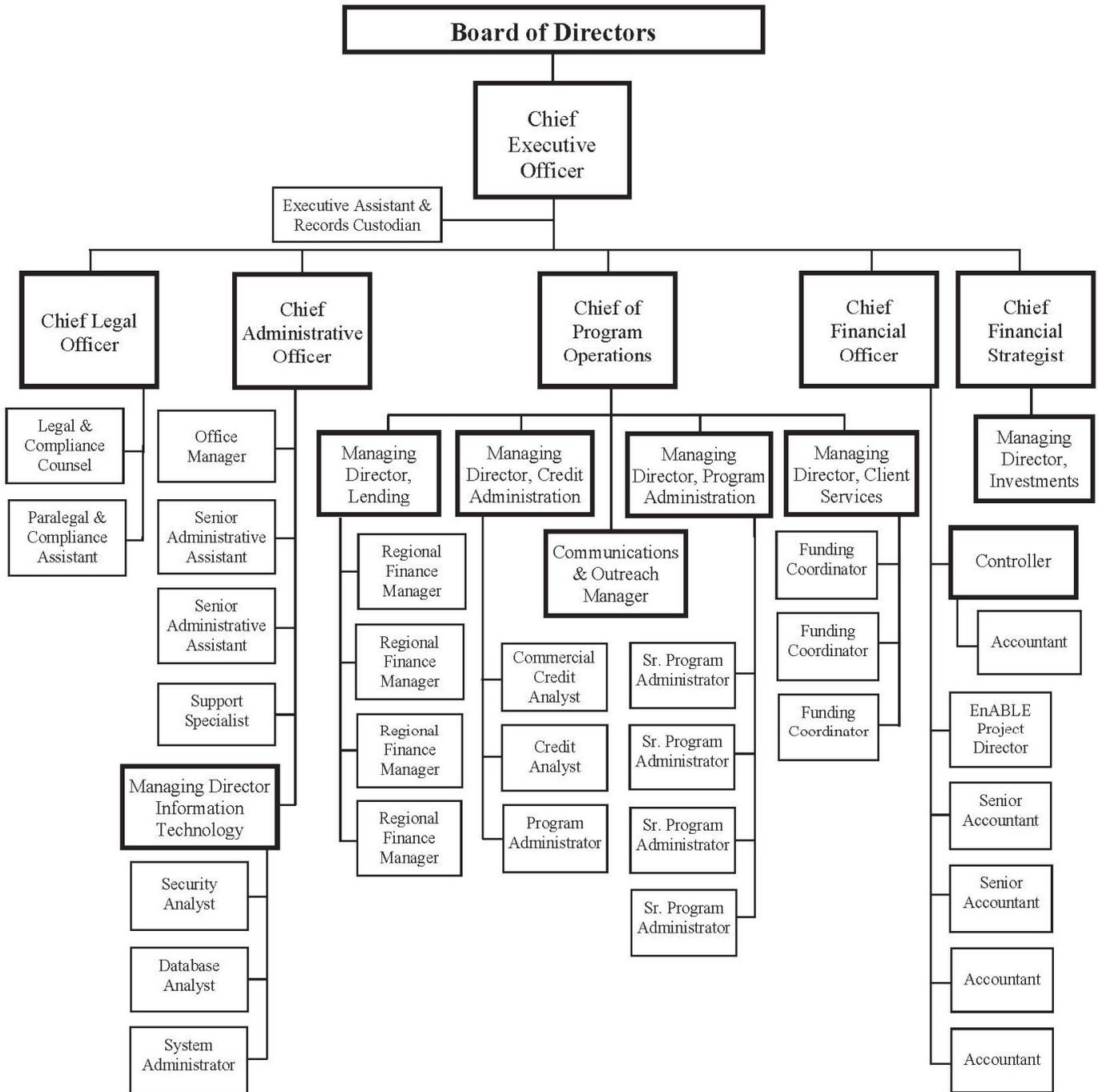
The preparation of this CAFR could not have been possible without the skill, extra effort and dedication of the entire staff of the NMFA Accounting Department and many of our colleagues in the other departments. We wish to thank everyone who assisted by providing the data and review necessary to prepare this report. Credit is also due to the NMFA Board for its support for our pursuit of this high standard of excellence in financial reporting.

Respectfully submitted,

  
Marquita D. Russel,  
Chief Executive Officer

  
Oscar S. Rodriguez,  
Chief Financial Officer

# ORGANIZATIONAL CHART



# NMFA LEADERSHIP

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## Board of Directors

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<b>Steve Kopelman</b> <i>Ex Officio, Vice Chair</i> Executive Director New Mexico Counties	<b>Katherine Miller</b> <i>Chair</i> County Manager County of Santa Fe	<b>Leslie Nathanson Juris</b> <i>Board Secretary</i>
<b>Sarah Cottrell Propst</b> <b>Ex Officio Member</b> Cabinet Secretary New Mexico Energy, Minerals & Natural Resources Department	<b>James Kenney</b> <b>Ex Officio Member</b> Cabinet Secretary New Mexico Environment Department	<b>Debbie Romero</b> <b>Ex Officio Member</b> Acting Cabinet Secretary New Mexico Department of Finance & Administration
<b>Alicia Keyes</b> <b>Ex Officio Member</b> Cabinet Secretary New Mexico Economic Development Department	<b>A. J. Forte</b> <b>Ex Officio Member</b> Executive Director New Mexico Municipal League	<b>Andrew J. Burke</b> <b>Member</b> Senior Vice President for Administration & Finance New Mexico State University
<b>David A. Martinez</b> <b>Member</b>		<b>Martin Abran Suazo</b> <b>Member</b>

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## Management

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<b>Daniel C. Opperman</b> Chief Legal Officer	<b>Marquita D. Russel</b> Chief Executive Officer	<b>Oscar S. Rodriguez</b> Chief Financial Officer
<b>Adam Johnson</b> Chief of Program Operations	<b>Dora Mae Cde Baca</b> Chief Administrative Officer	<b>Michael Zavelle</b> Chief Financial Strategist

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# Financial Information

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## **Report of Independent Auditors**

Governing Board  
New Mexico Finance Authority

Brian S. Colón, Esq.  
New Mexico Office of the State Auditor  
Santa Fe, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the enterprise and agency fund for the New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the NMFA's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and agency fund of the New Mexico Finance Authority as of June 30, 2020, and the changes in financial position and cash flows for the enterprise fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Reporting Entity*

As discussed in Note 1, the financial statements of NMFA are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of NMFA. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2020, the change in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NMFA's basic financial statements. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, statistical and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020 on our consideration of NMFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NMFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMFA's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 9, 2020

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

The New Mexico Finance Authority (NMFA) pursues the mission of *advancing New Mexico by financing impactful, well-planned projects*. It does this by striving to be New Mexico's partner in building economic prosperity and stronger communities. The customers it serves are the State government, regional public utility systems, municipalities, counties, Native American tribes, community health and service providers and businesses. The information presented in this section reflects, at least in part, NMFA's financial performance in this pursuit.

Generally accepted accounting principles (GAAP) require that management provide an overview and analysis of the Basic Financial Statements. As management of NMFA, we offer this narrative of NMFA's financial activities for fiscal year 2020. We encourage readers to consider the information presented here in conjunction with the additional information provided in our Introduction, Statistical Information and Other Information sections of this report.

NMFA's financial results are presented in terms of three basic financial statements:

- ◆ The ***Statement of Net Position*** presents information on the assets and liabilities of NMFA, with the difference between the assets and the liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.
- ◆ The ***Statement of Revenue, Expenses and Changes in Net Position*** presents information reflecting changes in the net position of NMFA resulting from net income during fiscal year 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- ◆ The ***Statement of Cash Flows*** reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting change in cash and cash equivalents during fiscal year 2020.

Fund accounting is at the foundation of our internal control and financial reporting. We group related accounts and transactions into distinct funds to maintain control over resources that law and/or governing documents mandate be segregated for specific activities or objectives. We also report the results of NMFA's financial activities in terms of funds to demonstrate compliance.

Although NMFA operates as an instrumentality of the State of New Mexico, it is not a taxing authority and does not undertake any governmental functions. All of its programs and supporting activities are operated as proprietary enterprises. For this reason, we present all of NMFA's financial statements as distinct proprietary funds, including the internal NMFA Operating Fund.

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Financial Overview and Analysis**

All Funds Combined

In terms of its combined balance sheet (Statement of Net Position), NMFA generated positive results in fiscal year 2020. Total Net Position increased by \$39.5 million (7.3%). Unrestricted cash decreased \$11.9 million to \$16.2 million (-42.4%). Restricted cash increased by \$55.1 million (20.7%) to \$320.6 million. Total assets increased by \$86.7 million (3.7%) to \$2.4 billion as the result of 169 new loans and cash generated from three bond issuances during fiscal year 2020. Net loans receivable increased by \$82.2 million (5.0%). Bonds that provided the capital for these loans increased by \$21.6 million (1.5%) to \$1.4 billion. Loans receivable exceeded bonds payable by \$285.5 million.

The Combined Statements of Net Position reflect net investments, including an unrealized gain of \$2.6 million, in keeping with Governmental Accounting Standards Board (GASB) Statement No. 72 (Fair Value Measurement and Application). The main factors leading to this result were higher investment interest rates during the first three quarters of the fiscal year.

The table on the following page presents, in a condensed fashion, the Combined Statements of Net Position as of June 30, 2020 and 2019 and the corresponding dollar amount and percentage changes.

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Condensed Statements of Net Position – NMFA Combined**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 16,168,066	\$ 28,057,865	\$(11,889,799)	(42.4%)
Restricted	320,578,471	265,510,263	55,068,208	20.7%
Loans receivable, net of allowance	1,724,479,238	1,642,285,541	82,193,697	5.0%
Restricted investments	369,252,126	408,804,383	(39,552,257)	(9.7%)
Other receivables	10,861,578	10,706,836	154,742	1.4%
Capital assets, net of accumulated depreciation	1,339,799	1,054,119	285,680	27.1%
Other assets	638,132	162,281	475,851	293.2%
<b>Total Assets</b>	<b>2,443,317,410</b>	<b>2,356,581,288</b>	<b>86,736,122</b>	<b>3.7%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding	693,665	743,687	(50,022)	(6.7%)
<b>Total Deferred Outflows of Resources</b>	<b>693,665</b>	<b>743,687</b>	<b>(50,022)</b>	<b>(6.7%)</b>
<b>Liabilities</b>				
Bonds payable, net	1,438,941,647	1,417,299,801	21,641,846	1.5%
Undisbursed loan proceeds	320,840,186	289,941,611	30,898,575	10.7%
Advanced loan payments	89,526,221	96,202,732	(6,676,511)	(6.9%)
Accounts payable, accrued payroll and compensated absences	1,244,706	1,078,007	166,699	15.5%
Other liabilities	8,975,843	7,206,933	1,768,910	24.5%
<b>Total Liabilities</b>	<b>1,859,528,603</b>	<b>1,811,729,084</b>	<b>47,799,519</b>	<b>2.6%</b>
<b>Deferred Inflows of Resources</b>				
Deferred gain on refunding	3,704,574	4,279,845	(575,271)	(13.4%)
<b>Total Deferred Inflows of Resources</b>	<b>3,704,574</b>	<b>4,279,845</b>	<b>(575,271)</b>	<b>(13.4%)</b>
<b>Net Position</b>				
Net investment in capital assets	1,339,799	1,054,119	285,680	27.1%
Restricted for program commitments	563,270,033	515,633,477	47,636,556	9.2%
Unrestricted	16,168,066	24,628,450	(8,460,384)	(34.4%)
<b>Total Net Position</b>	<b>\$ 580,777,898</b>	<b>\$ 541,316,046</b>	<b>\$ 39,461,852</b>	<b>7.3%</b>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

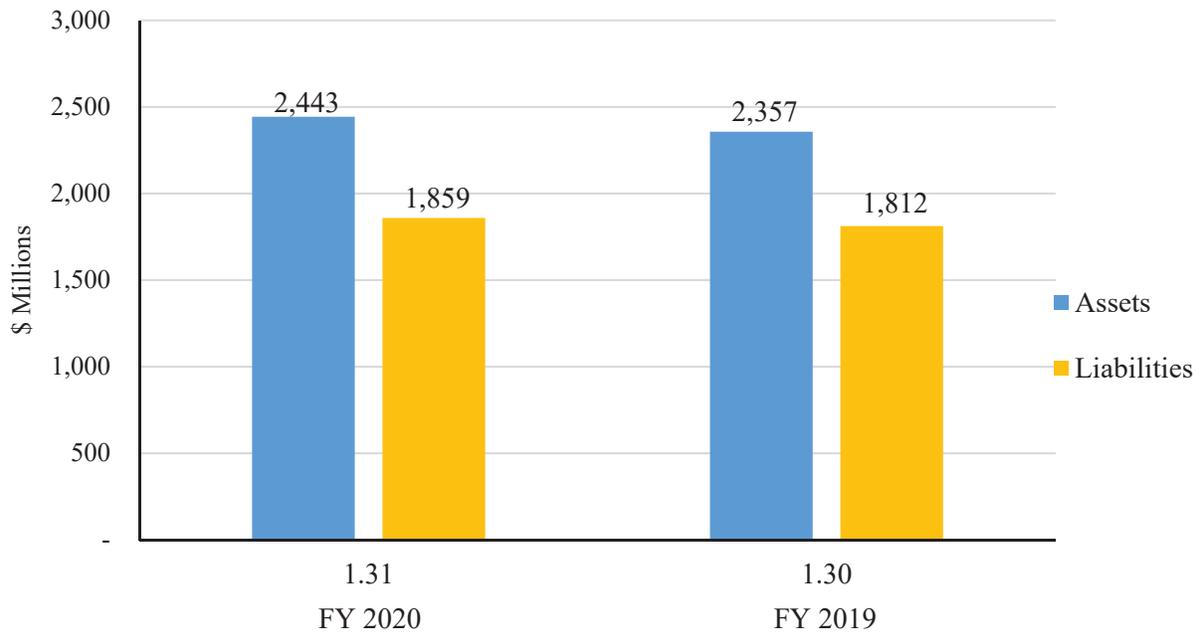
Total cash and investments increased 0.5%, going from \$702.4 million to \$706.0 million. Restricted cash, which accounts for 45.4% of all cash, was the fastest growing component of this total, increasing by \$55.1 million (20.7%).

For fiscal year 2020, total bonds payable increased by \$21.6 million (1.5%) to keep up with the demand for capital financing in the state. Three new bonds were issued (2019 D, 2020 A and 2020 B), totaling \$166.6 million; two existing bonds totaling \$20.5 million were refunded; and one bond totaling \$33.9 million was retired with cash.

Undisbursed loan proceeds increased by \$30.9 million (10.7%), also due to the timing of bond issuances in June.

NMFA’s *assets to liabilities ratio* increased from 1.30 in fiscal year 2019 to 1.31 in fiscal year 2020. The chart below illustrates the trend over the past two years:

**Assets vs. Liabilities**



In terms of net income (Statement of Revenue, Expenses and Changes in Net Position), total revenue exceeded total expenses. Net operating loss decreased by \$3.3 million (8.4%), primarily due to a \$2.3 million increase in operating revenue and a \$0.9 million decrease in operating expenses. Appropriation revenue increased by \$7.4 million by the end of fiscal year 2020, representing an increase of 17.2%.

Administrative fee revenue increased \$0.4 million (6.7%) from \$6.4 million to \$6.8 million, mainly because of increased loan closings and origination fees in the first three quarters. Federal grant revenue and transfers from the State combined for a net decrease of \$0.07 million (-0.2%).

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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Transfers to the State increased \$2.4 million (54.1%). Almost all of this came from balances that had built up over the years in debt service escrows that were returned to the State of New Mexico. Operating revenue increased \$2.3 million (3.5%) in fiscal year 2020. Interest on loans increased by \$1.2 million (2.3%), and interest on investments increased by \$0.7 million (8.6%).

Net non-operating revenue increased \$4.9 million (7.0%) and went from \$70.0 million to \$74.9 million. Grant revenue and transfers from the State decreased \$0.07 million, primarily in the CIF program. Transfers to the State increased \$2.4 million (54.1%) due to a \$6.5 million transfer for State Building Purchase.

Total operating expenses decreased \$0.9 million (-0.9%) from \$104.6 million to \$103.7 million. While bond interest expense increased by \$3.0 million (6.4%), it was offset by a \$2.6 million (-7.7%) decrease in grants to others and a decrease in loan financing pass-through of \$2.3 million (-17.8%), making up the largest factors driving this result.

A \$2.3 million increase in operating revenue, combined with a \$0.9 million decrease in operating expenses, reduced the operating loss from \$38.7 million to \$35.5 million.

The following table presents in a condensed fashion the Combined Statements of Revenue, Expenses and Changes in Net Position for fiscal year 2020 and 2019 and the corresponding net dollar amount and percentage changes.

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Condensed Statements of Revenue, Expenses & Changes in Net Position – NMFA Combined**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 52,792,559	\$ 51,584,322	\$ 1,208,237	2.3%
Administrative fees revenue	6,828,344	6,396,595	431,749	6.7%
Interest on investments	8,598,789	7,919,934	678,855	8.6%
<b>Total Operating Revenue</b>	<b>68,219,692</b>	<b>65,900,851</b>	<b>2,318,841</b>	<b>3.5%</b>
<b>Operating Expenses</b>				
Bond interest expense	50,720,720	47,690,534	3,030,186	6.4%
Grants to others	31,480,701	34,104,721	(2,624,020)	(7.7%)
Loan financing pass-through	10,640,130	12,943,547	(2,303,417)	(17.8%)
Salaries and benefits	5,108,045	4,687,224	420,821	9.0%
Bond issuance costs	1,243,666	1,640,333	(396,667)	(24.2%)
Professional services	3,266,820	2,635,840	630,980	23.9%
Other operating costs	997,558	1,071,794	(74,236)	(6.9%)
Provision for loan losses	(294,021)	(849,582)	555,561	(65.4%)
Interest expense	7,826	266,620	(258,794)	(97.1%)
Rent and utilities	414,551	364,386	50,165	13.8%
Depreciation expense	101,158	66,289	34,869	52.6%
<b>Total Operating Expenses</b>	<b>103,687,154</b>	<b>104,621,706</b>	<b>(934,552)</b>	<b>(0.9%)</b>
<b>Net Operating Loss</b>	<b>(35,467,462)</b>	<b>(38,720,855)</b>	<b>3,253,393</b>	<b>(8.4%)</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	50,326,048	42,953,352	7,372,696	17.2%
Grant revenue and transfers from State	31,382,357	31,453,528	(71,171)	(0.2%)
Transfers to State and intra-fund	(6,779,091)	(4,398,004)	(2,381,087)	54.1%
<b>Net Non-operating Revenue</b>	<b>74,929,314</b>	<b>70,008,876</b>	<b>4,920,438</b>	<b>7.0%</b>
<b>Increase in Net Position</b>	<b>39,461,852</b>	<b>31,288,021</b>	<b>8,173,831</b>	<b>26.1%</b>
Net position, beginning of year	541,316,046	510,028,025	31,288,021	6.1%
<b>Net Position, End of Year</b>	<b>\$ 580,777,898</b>	<b>\$ 541,316,046</b>	<b>\$ 39,461,852</b>	<b>7.3%</b>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

In terms of net cash flow (Statement of Cash Flows) inflows exceeded outflows by \$43.2 million (14.7%) in the fiscal year. This is \$10.6 million (32.6%) more than last year's result. See the Condensed Statements of Cash Flows for NMFA Combined on the following page. Fiscal year 2020's increase occurred because cash provided by non-capital financing (\$25.7 million) and investing (\$48.2 million) activities surpassed the \$30.3 million used in operating activities. The increase in appropriations to \$50.3 million (15.3%) was a major factor in the \$43.2 million increase in cash.

Net cash flow from NMFA's operating activities increased \$4.3 million, going from negative \$34.6 million in fiscal year 2019 to negative \$30.3 million in fiscal year 2020. The main driver of this result was a \$23.5 million decrease in total loans funded in this period. NMFA's financing activities generated a net decrease of \$81.0 million. This was primarily driven by a \$70.5 million decrease in bond proceeds due to fewer bond issuances this fiscal year and a \$16.6 million increase in bond debt service due to new bond issuances last year. Net cash flow from investing activities increased \$57.7 million (223.1%). The liquidation of investments in an environment of falling interest rates led to this result. The liquidation was done to provide capital for the PPRF in lieu of bond issuances, but it coincided with market conditions that allowed NMFA to realize gains on the investments it sold. Compared to last fiscal year, \$28.5 million more investments were sold, and \$58.1 million fewer investments were purchased.

The following table presents, in a condensed fashion, the Combined Statements of Cash Flows for fiscal year 2020 and 2019 and the corresponding net percentage changes.

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Condensed Statements of Cash Flows – NMFA Combined**

	2020	2019	Percentage Increase / (Decrease)
<b>Cash Flows from Operating Activities</b>			
Cash paid for employee services	\$ (4,989,890)	\$ (4,039,520)	23.5%
Cash paid to vendors for services	(6,724,546)	(4,488,425)	49.8%
Loan payments received	220,120,914	241,029,675	(8.7%)
Loans funded	(278,281,535)	(301,762,442)	(7.8%)
Grants to local governments	(31,480,701)	(34,104,721)	(7.7%)
Cash received from Federal capitalization grant	11,599,117	11,588,018	0.1%
Interest on loans	52,179,889	50,625,951	3.1%
Administrative fees received	7,278,445	6,505,249	11.9%
<b>Net Cash Used by Operating Activities</b>	<b>(30,298,307)</b>	<b>(34,646,215)</b>	<b>12.5%</b>
<b>Cash Flows from Non-capital Financing Activities</b>			
Reversions	\$ (170,035)	\$ -	(100.0%)
Appropriations from the State	50,326,048	43,653,352	15.3%
Cash transfers from the State	19,783,240	19,865,510	(0.4%)
Cash transfers to the State	(6,609,056)	(4,398,004)	50.3%
Proceeds from the sale of bonds	198,939,647	269,452,691	(26.2%)
Payment of bonds	(166,720,000)	(150,105,000)	11.1%
Bond issuance costs	(1,243,666)	(1,640,333)	(24.2%)
Bond interest expense paid	(57,953,540)	(57,138,659)	1.4%
Proceeds from line of credit	15,000,000	34,500,000	(56.5%)
Payments on line of credit	(15,000,000)	(34,500,000)	(56.5%)
Loan financing pass-through to borrower	(10,640,130)	(12,943,547)	(17.8%)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<b>25,712,508</b>	<b>106,746,010</b>	<b>(75.9%)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of investments	(318,075,358)	(376,144,539)	(15.4%)
Sale of investments	357,627,615	329,099,135	8.7%
Interest received on investments	8,598,789	7,919,934	8.6%
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>48,151,046</b>	<b>(39,125,470)</b>	<b>223.1%</b>
<b>Cash Flows from Capital Financing Activities</b>			
Capital assets	(386,838)	(420,759)	(8.1%)
<b>Net Cash Used in Capital Financing Activities</b>	<b>(386,838)</b>	<b>(420,759)</b>	<b>(8.1%)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>43,178,409</b>	<b>32,553,566</b>	<b>32.6%</b>
Cash and cash equivalents, beginning of year	293,568,128	261,014,562	12.5%
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 336,746,537</b>	<b>\$ 293,568,128</b>	<b>14.7%</b>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Public Project Revolving Fund**

The Public Project Revolving Fund (PPRF), is NMFA’s flagship program. It was created by the State Legislature with the approval of the New Mexico Finance Authority Act of 1992 to assist a wide range of public entities throughout the state in accessing the capital markets at low or below-market interest rates. The PPRF is used to finance public projects such as infrastructure improvements, road projects, water system upgrades, fire and law enforcement equipment, public buildings, hospitals and healthcare facilities, electric and broadband utilities and quality of life projects, among others. It provides both market-rate loans and loans to disadvantaged communities at subsidized rates. A share of the State’s Governmental Gross Receipts Tax (GGRT) is dedicated to the PPRF, which NMFA uses as a credit enhancement to issue bonds at a high credit rating. NMFA uses available funds to make loans to borrowers and then replenishes the PPRF by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities and the annual GGRT receipts.

In order of size, the PPRF accounts for more than half of NMFA’s assets and operations.

**PPRF Share of NMFA**

	PPRF	Total NMFA	% PPRF
Total Assets	\$2.1 billion	\$2.4 billion	87.8%
Net Position	\$284.3 million	\$580.8 million	48.9%
Operating Revenue	\$58.1 million	\$68.2 million	85.2%
Total Revenue	\$79.7 million	\$143.1 million	55.7%

The purpose of the PPRF is to coordinate planning and financing of state and local public projects with qualified borrowers who cannot, on their own, access the bond market cost-effectively. Qualified entities, including but not limited to counties, municipalities, school districts and tribes are eligible to borrow from the PPRF.

NMFA makes PPRF loans of up to \$15 million from funds on hand. The PPRF’s cash is replenished at a later date through bonds that are sold in the open market. Loans larger than \$15 million are funded through simultaneous closings with a reimbursement bond issue, ensuring a matching of loan and bond interest rates.

Infrastructure finance agencies similar to NMFA are often called “bond banks.” Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

Since the PPRF’s inception in 1992, it has made 1,814 loans totaling \$4.1 billion through June 30, 2020.

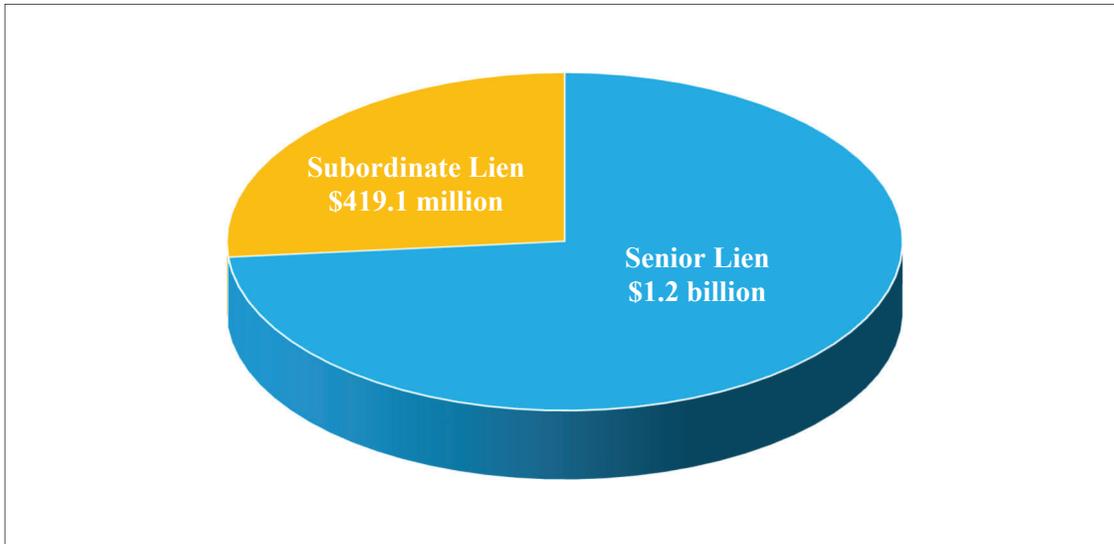
**NEW MEXICO FINANCE AUTHORITY**  
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**PPRF Project Volume**

	FY 2020	FY 2019	Since Inception
Amount of projects funded	\$287.5 million	\$291.8 million	\$4.1 billion
Number of projects funded	102	98	1,814
Refunding loans (included above)	\$32.0 million	\$42.2 million	---
Average project size	\$2.8 million	\$3.0 million	\$2.3 million

The PPRF maintains a General Indenture of Trust (Senior Lien) and a Subordinated Indenture of Trust (Subordinate Lien). At the end of fiscal year 2020, there were 789 active loans totaling \$1.6 billion outstanding. This represents an increase of \$76.3 million (5.0%) from last year. Most (71%) of the revenues from the PPRF loans are pledged to the Senior Lien Indenture, with the balance (29%) pledged to the Subordinate Lien Indenture. In terms of outstanding principal, the Senior Lien Indenture loans comprise 73.5% of the total.

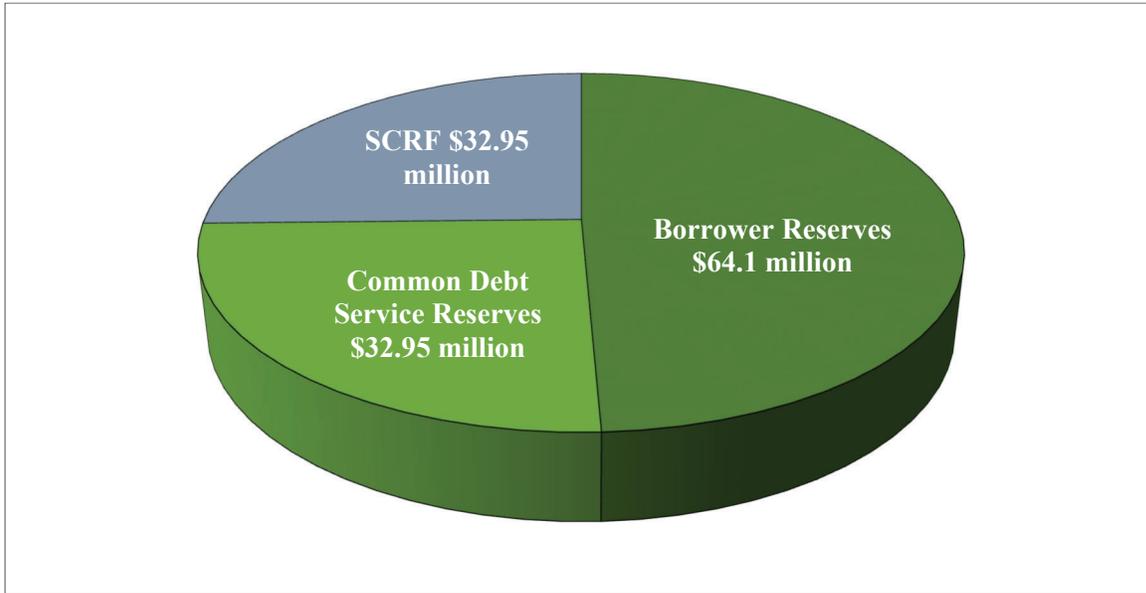
**PPRF Outstanding Bond Principal: Senior Lien vs. Subordinate Lien**



S&P Global Ratings (formerly known as Standard & Poor’s) has assigned its AAA rating to both the Senior Lien (since April 2011) and Subordinate Lien (since July 2017). Moody’s Investor Services has assigned the Senior Lien with its Aa1 rating and the Subordinate Lien with its Aa2 rating. In order to maintain these ratings, the PPRF holds reserves and credit enhancements. These include the Common Debt Service Reserve fund, Supplemental Credit Reserve Fund (SCRF), and pooled borrower debt service reserve. The Common Debt Service Reserve is subject to the General Indenture of Trust for the Senior Lien, and the SCRF is subject to the Subordinated Indenture of Trust governing the subordinate lien. Borrower reserves are pledged to the individual loans.

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**Debt Service Reserves**



***Governmental Gross Receipts Tax***

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of state and local governments for services rendered to customers such as water, sewer and solid waste collection. Three quarters (75%) of GGRT collections are appropriated to the PPRF by statute. NMFA's share of GGRT collections was \$33.7 million in fiscal year 2020, down 9.1% from 2019 due to a one-time correction of \$4.8 million in August 2018, resulting from a misclassification of taxes by a government entity over a three-year period. This total includes amounts that are not needed for payments under the General Indenture of Trust and Subordinated Indenture of Trust and are appropriated from the PPRF by the Legislature to fund various legislative initiatives. The GGRT funds serve several functions:

- ◆ Credit enhancement for the PPRF bonds such that GGRT funds can be used to make up for any shortfall in funds available for bond payments in the event of a default by any of the loans in the portfolio.
- ◆ Fund loans to borrowers, especially smaller loans that may not be cost-effective to reimburse in a bond issue.
- ◆ Pay operating expenses of the PPRF.

As a not-for-profit lender, NMFA attempts to pass on to its borrowers the same rates paid on the bonds issued to provide loaned funds. In fiscal year 2020, the PPRF had net interest income of \$51.2 million, ending up at a net loss of \$10.1 million compared to the net loss of \$9.6 million in fiscal year 2019. This is mostly a result of a combination of higher-interest loans having been issued and callable portions of outstanding bonds having been replaced by lower interest bonds.

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**Condensed Statements of Net Position – PPRF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ -	\$ 3,182,888	\$ (3,182,888)	(100.0%)
Restricted	231,751,645	199,840,967	31,910,678	16.0%
Loans receivable, net of allowance	1,590,305,094	1,514,031,160	76,273,934	5.0%
Restricted investments	313,997,029	356,779,792	(42,782,763)	(12.0%)
Other receivables	9,480,679	9,219,289	261,390	2.8%
<b>Total Assets</b>	<b>2,145,534,447</b>	<b>2,083,054,096</b>	<b>62,480,351</b>	<b>3.0%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding	693,665	743,687	(50,022)	(6.7%)
<b>Total Deferred Outflows of Resources</b>	<b>693,665</b>	<b>743,687</b>	<b>(50,022)</b>	<b>(6.7%)</b>
<b>Liabilities</b>				
Bonds payable, net	1,438,941,647	1,417,299,801	21,641,846	1.5%
Undisbursed loan proceeds	320,840,186	289,941,611	30,898,575	10.7%
Advanced loan payments	88,057,094	95,361,060	(7,303,966)	(7.7%)
Due to other funds	2,437,306	46	2,437,260	5298391.3%
Other liabilities	7,942,372	4,072,142	3,870,230	95.0%
<b>Total Liabilities</b>	<b>1,858,218,605</b>	<b>1,806,674,660</b>	<b>51,543,945</b>	<b>2.9%</b>
<b>Deferred Inflows of Resources</b>				
Deferred gain on refunding	3,704,574	4,279,845	(575,271)	(13.4%)
<b>Total Deferred Inflows of Resources</b>	<b>3,704,574</b>	<b>4,279,845</b>	<b>(575,271)</b>	<b>(13.4%)</b>
<b>Net Position</b>				
Restricted for program commitments	284,304,933	269,660,436	14,644,497	5.4%
Unrestricted	-	3,182,842	(3,182,842)	(100.0%)
<b>Total Net Position</b>	<b>\$ 284,304,933</b>	<b>\$ 272,843,278</b>	<b>\$ 11,461,655</b>	<b>4.2%</b>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Condensed Statements of Revenue, Expenses & Changes in Net Position – PPRF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 51,224,347	\$ 49,959,774	\$ 1,264,573	2.5%
Administrative fees revenue	2,370,355	2,832,905	(462,550)	(16.3%)
Interest on investments	4,503,041	5,067,487	(564,446)	(11.1%)
<b>Total Operating Revenue</b>	<b>58,097,743</b>	<b>57,860,166</b>	<b>237,577</b>	<b>0.4%</b>
<b>Operating Expenses</b>				
Bond interest expense	50,720,720	47,690,534	3,030,186	6.4%
Loan financing pass-through	10,640,130	12,943,547	(2,303,417)	(17.8%)
Salaries and benefits	2,928,373	2,772,036	156,337	5.6%
Bond issuance costs	1,243,666	1,640,333	(396,667)	(24.2%)
Professional services	1,990,022	1,541,623	448,399	29.1%
Other operating costs	278,781	640,029	(361,248)	(56.4%)
Provision for loan losses	175,916	(291,231)	467,147	(160.4%)
Interest expense	7,826	266,620	(258,794)	(97.1%)
Rent and utilities	230,672	210,725	19,947	9.5%
<b>Total Operating Expenses</b>	<b>68,216,106</b>	<b>67,414,216</b>	<b>801,890</b>	<b>1.2%</b>
<b>Net Operating Loss</b>	<b>(10,118,363)</b>	<b>(9,554,050)</b>	<b>(564,313)</b>	<b>5.9%</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	33,826,048	37,153,352	(3,327,304)	(9.0%)
Transfers to State and intra-fund	(12,246,030)	(28,503,118)	16,257,088	(57.0%)
<b>Net Non-operating Revenue</b>	<b>21,580,018</b>	<b>8,650,234</b>	<b>12,929,784</b>	<b>149.5%</b>
<b>Increase (Decrease) in Net Position</b>	<b>11,461,655</b>	<b>(903,816)</b>	<b>12,365,471</b>	<b>1368.1%</b>
Net position, beginning of year	272,843,278	273,747,094	(903,816)	(0.3%)
<b>Net Position, End of Year</b>	<b>\$ 284,304,933</b>	<b>\$ 272,843,278</b>	<b>\$ 11,461,655</b>	<b>4.2%</b>

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NMFA’s long-term debt consists entirely of bond issues related to the PPRF program. At the end of fiscal year 2020, the total PPRF bond principal outstanding was \$1.4 billion. In addition, \$881 million of GRIP bonds issued on behalf of the New Mexico Department of Transportation (NMDOT) were outstanding (which debt is not a direct liability of NMFA). More detailed information about NMFA’s long-term debt is presented in Notes 6 and 11 to the Financial Statements.

During fiscal year 2020, NMFA issued \$166.6 million in PPRF bonds, which were used to directly fund loans, to reimburse the PPRF loan fund for loans already made, and to pay off a \$15.0 million line of credit draw taken out in June.

**Condensed Statements of Cash Flows – PPRF**

	2020	2019	Percentage Increase / (Decrease)
Net Cash Used by Operating Activities	\$ (2,520,343)	\$ (14,732,605)	(82.9%)
Net Cash (Used) Provided by Non-capital Financing Activities	(16,037,671)	56,275,376	(128.5%)
Net Cash Provided (Used) by Investing Activities	47,285,804	(43,804,235)	207.9%
Net Increase (Decrease) in Cash and Cash Equivalents	28,727,790	(2,261,464)	1370.3%
Cash and cash equivalents, beginning of year	203,023,855	205,285,319	(1.1%)
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 231,751,645</b>	<b>\$ 203,023,855</b>	<b>14.1%</b>

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**Drinking Water State Revolving Loan Fund**

The Drinking Water State Revolving Loan Fund (DWSRLF), established in 1998 through the Drinking Water State Revolving Loan Fund Act (Section 6-21A-1 et seq. NMSA 1978), provides funds for drinking water projects and is capitalized by Federal grants, State match and loan repayments. The loans are low-cost and in certain cases may contain principal forgiveness up to 75%. NMFA partners with the New Mexico Environment Department (NMED) to administer the program. NMED publishes a Fundable Priority List, and the NMFA accepts applications from the list, which are then underwritten. The projects are financed in the order of priority until all available funds are used. The NMED Construction Programs Bureau provides engineering and construction oversight services required under the program. The State match to the Environmental Protection Agency (EPA) capitalization grant is funded by periodic appropriations made by the Legislature from the PPRF. As of June 30, 2020, NMFA was servicing 100 DWSRLF loans totaling \$91.7 million.

The DWSRLF is the second largest fund NMFA operates in terms of net position, total revenues and cash balances. At the end of fiscal year 2020, the net position for this fund rose to \$175.7 million, after total revenues of \$17.8 million exceeded total expenses of \$5.4 million by \$12.4 million. The DWSRLF's cash balance, which is entirely restricted for use within the program, rose \$7.5 million (18.4%) over the course of the year and stood at \$48.1 million at the end of fiscal year 2020.

The DWSRLF's \$91.7 million loans receivable portfolio represents its principal asset. Cash and restricted investments (\$48.1 million and \$37.96 million, respectively) are its second and third biggest assets. Like its cash, all DWSRLF receivables and investments are restricted for program use. See the Condensed Statements of Net Position for the DWSRLF below.

Most (78.5%) of the revenue received by this fund came in the form of non-operating income. \$11.6 million of it arrived as Federal grant revenue passed through to the borrowers' loans during the construction phase of their projects. The remaining \$2.5 million of this income stream arrived as the State's annual program match, which comes through as an appropriation from PPRF. Similarly, the biggest expense in this fund is grants to others. This line item totaled \$4.99 million in fiscal year 2020. See the Condensed Statements of Revenue, Expenses and Changes in Net Position for the DWSRLF below.

The cash flows reflect how DWSRLF operates under the Federal program restrictions. Outflows seldom exceed inflows. Operating expenses are reimbursed to the NMFA Operating Fund from cash received for administrative and cost of issuance fees and interest earned on investments. During fiscal year 2020, all disbursements to borrowers for their construction projects, which equal the grant and loan principal, were made from cash requisitioned and received from the EPA and the State's match, which is transferred into the fund at the start of the fiscal year. As a result, cash flows from all activities were positive: \$3.1 million in operations, \$2.3 million in financing, and \$2.0 million in investing. See the Condensed Statements of Cash Flows for the DWSRLF below.

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**Condensed Statements of Net Position – DWSRLF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Restricted	\$ 48,092,678	\$ 40,616,997	\$ 7,475,681	18.4%
Loans receivable, net of allowance	91,661,196	88,317,081	3,344,115	3.8%
Restricted investments	37,962,861	37,683,073	279,788	0.7%
Other receivables	228,053	346,555	(118,502)	(34.2%)
<b>Total Assets</b>	<b>177,944,788</b>	<b>166,963,706</b>	<b>10,981,082</b>	<b>6.6%</b>
<b>Liabilities</b>				
Advanced loan payments	1,452,342	824,887	627,455	76.1%
Due to other funds	452,166	368,099	84,067	22.8%
Other liabilities	388,780	2,510,238	(2,121,458)	(84.5%)
<b>Total Liabilities</b>	<b>2,293,288</b>	<b>3,703,224</b>	<b>(1,409,936)</b>	<b>(38.1%)</b>
<b>Net Position</b>				
Restricted for program commitments	175,651,500	163,628,581	12,022,919	7.4%
Unrestricted	-	(368,099)	368,099	100.0%
<b>Total Net Position</b>	<b>\$ 175,651,500</b>	<b>\$ 163,260,482</b>	<b>\$ 12,391,018</b>	<b>7.6%</b>

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**Condensed Statements of Revenue, Expenses & Changes in Net Position – DWSRLF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 1,403,875	\$ 1,419,195	\$ (15,320)	(1.1%)
Administrative fees revenue	114,041	265,469	(151,428)	(57.0%)
Interest on investments	2,305,923	1,948,153	357,770	18.4%
<b>Total Operating Revenue</b>	<b>3,823,839</b>	<b>3,632,817</b>	<b>191,022</b>	<b>5.3%</b>
<b>Operating Expenses</b>				
Grants to others	4,986,823	7,633,385	(2,646,562)	(34.7%)
Salaries and benefits	126,071	183,410	(57,339)	(31.3%)
Professional services	174,990	69,239	105,751	152.7%
Other operating costs	40,048	62,452	(22,404)	(35.9%)
Rent and utilities	32,420	26,423	5,997	22.7%
<b>Total Operating Expenses</b>	<b>5,360,352</b>	<b>7,974,909</b>	<b>(2,614,557)</b>	<b>(32.8%)</b>
<b>Net Operating Loss</b>	<b>(1,536,513)</b>	<b>(4,342,092)</b>	<b>2,805,579</b>	<b>(64.6%)</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	2,500,000	1,800,000	700,000	38.9%
Grant revenue and transfers from State	11,599,117	11,588,018	11,099	0.1%
Transfers to State and intra-fund	(171,586)	-	(171,586)	(100.0%)
<b>Net Non-operating Revenue</b>	<b>13,927,531</b>	<b>13,388,018</b>	<b>539,513</b>	<b>4.0%</b>
<b>Increase in Net Position</b>	<b>12,391,018</b>	<b>9,045,926</b>	<b>3,345,092</b>	<b>37.0%</b>
Net position, beginning of year	163,260,482	154,214,556	9,045,926	5.9%
<b>Net Position, End of Year</b>	<b>\$ 175,651,500</b>	<b>\$ 163,260,482</b>	<b>\$ 12,391,018</b>	<b>7.6%</b>

**NEW MEXICO FINANCE AUTHORITY**  
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**Condensed Statements of Cash Flows – DWSRLF**

	2020	2019	Percentage Increase / (Decrease)
Net Cash Provided by Operating Activities	<u>\$ 3,121,132</u>	<u>\$ 4,346,364</u>	(28.2%)
Net Cash Provided by Non-capital Financing Activities	<u>2,328,414</u>	<u>2,500,000</u>	(6.9%)
Net Cash Provided by Investing Activities	<u>2,026,135</u>	<u>6,693,069</u>	(69.7%)
Net Increase in Cash and Cash Equivalents	<u>7,475,681</u>	<u>13,539,433</u>	(44.8%)
Cash and cash equivalents, beginning of year	<u>40,616,997</u>	<u>27,077,564</u>	50.0%
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 48,092,678</u></u>	<u><u>\$ 40,616,997</u></u>	18.4%

**NEW MEXICO FINANCE AUTHORITY**  
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**Water Project Fund**

The Water Project Fund (WPF), established in 2002 through the Water Project Finance Act (Section 72-4A-1 et seq., NMSA 1978), provides grants and low-cost loans for five types of water projects. Pursuant to the Water Project Finance Act, NMFA staffs the 16-member Water Trust Board and administers this program. The Water Trust Board relies upon evaluations of a multi-agency technical team to prioritize applications for recommendation to the Legislature and determine readiness, following which grants and loans are recommended to NMFA for underwriting and approval. The WPF is capitalized by an annual distribution from the Water Trust Fund and a percentage of Senior Severance Tax Bonds. As of June 30, 2020, the NMFA was servicing 199 WPF loans totaling \$30.9 million.

With a total net position of \$51.8 million, total revenue of \$21.3 million and a cash balance (restricted) of \$11.5 million, the WPF is NMFA's third largest fund. See the Condensed Statements of Net Position for the WPF below.

Net position increased by \$2.6 million (5.2%), as total revenue exceeded expenditures by that amount in fiscal year 2020. Grants to others make up almost all WPF expenses. In fiscal year 2020, this expense item made up \$17.9 million (95.5%) of the total program expenses of \$18.7 million.

Grant revenue, which is recognized as the State approves NMFA's requisitions funded from Severance Tax Permanent Bonds for projects financed through this program, totaled \$10.6 million and \$9.7 million in fiscal year 2020 and 2019, respectively. The main driver behind this increase in revenue stream was the normalization of State funding for this program after a deep cut in fiscal year 2018, which decreased grant funding for projects in fiscal year 2019. See the Condensed Statements of Revenue, Expenses and Changes in Net Position for the WPF below.

Cash flows over the course of the year reflect the same general pattern as net revenues. Operating activities produced a net outflow of \$19.3 million. The only inflow of cash in this aspect of WPF activities was \$1.97 million in loan repayments. This result was exceeded by the net inflow of cash from financing activities of \$20.6 million, which consisted almost entirely of appropriations and transfers from the State. The net sale of investments (\$0.08 million) and interest earned on investments (\$0.6 million) made up the difference and generated a net cash flow increase of \$2.0 million in fiscal year 2020 over fiscal year 2019. See the Condensed Statements of Cash Flows for the WPF below.

**NEW MEXICO FINANCE AUTHORITY**  
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**Condensed Statements of Net Position – WPF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Restricted	\$ 11,512,068	\$ 9,486,839	\$ 2,025,229	21.4%
Loans receivable, net of allowance	30,889,529	30,579,993	309,536	1.0%
Restricted investments	9,094,435	9,175,645	(81,210)	(0.9%)
Grants and other receivables	401,837	8,041	393,796	4897.4%
<b>Total Assets</b>	<b>51,897,869</b>	<b>49,250,518</b>	<b>2,647,351</b>	<b>5.4%</b>
<b>Liabilities</b>				
Due to other funds	74,359	-	74,359	100.0%
<b>Total Liabilities</b>	<b>74,359</b>	<b>-</b>	<b>74,359</b>	<b>100.0%</b>
<b>Net Position</b>				
Restricted for program commitments	51,823,510	49,250,518	2,572,992	5.2%
<b>Total Net Position</b>	<b>\$ 51,823,510</b>	<b>\$ 49,250,518</b>	<b>\$ 2,572,992</b>	<b>5.2%</b>

**NEW MEXICO FINANCE AUTHORITY**  
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**Condensed Statements of Revenue, Expenses & Changes in Net Position – WPF**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Administrative fees revenue	\$ 57,002	\$ 64,803	\$ (7,801)	(12.0%)
Interest on investments	643,108	540,770	102,338	18.9%
<b>Total Operating Revenue</b>	<b>700,110</b>	<b>605,573</b>	<b>94,537</b>	<b>15.6%</b>
<b>Operating Expenses</b>				
Grants to others	17,905,208	15,285,528	2,619,680	17.1%
Salaries and benefits	419,878	446,081	(26,203)	(5.9%)
Professional services	352,516	273,593	78,923	28.8%
Other operating costs	35,222	67,527	(32,305)	(47.8%)
Rent and utilities	34,735	34,293	442	1.3%
<b>Total Operating Expenses</b>	<b>18,747,559</b>	<b>16,107,022</b>	<b>2,640,537</b>	<b>16.4%</b>
<b>Net Operating Loss</b>	<b>(18,047,449)</b>	<b>(15,501,449)</b>	<b>(2,546,000)</b>	<b>16.4%</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	10,000,000	4,000,000	6,000,000	150.0%
Grant revenue and transfers from State	10,621,114	9,685,850	935,264	9.7%
Transfers to State and intra-fund	(673)	-	(673)	(100.0%)
<b>Net Non-operating Revenue</b>	<b>20,620,441</b>	<b>13,685,850</b>	<b>6,934,591</b>	<b>50.7%</b>
<b>Increase (Decrease) in Net Position</b>	<b>2,572,992</b>	<b>(1,815,599)</b>	<b>4,388,591</b>	<b>241.7%</b>
Net position, beginning of year	49,250,518	51,066,117	(1,815,599)	(3.6%)
<b>Net Position, End of Year</b>	<b>\$ 51,823,510</b>	<b>\$ 49,250,518</b>	<b>\$ 2,572,992</b>	<b>5.2%</b>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Condensed Statements of Cash Flows – WPF**

	2020	2019	Percentage Increase / (Decrease)
Net Cash Used by Operating Activities	<u>\$ (19,319,530)</u>	<u>\$ (14,945,036)</u>	29.3%
Net Cash Provided by Non-capital Financing Activities	<u>20,620,441</u>	<u>13,685,850</u>	50.7%
Net Cash Provided by Investing Activities	<u>724,318</u>	<u>2,788,045</u>	(74.0%)
Net Increase in Cash and Cash Equivalents	<u>2,025,229</u>	<u>1,528,859</u>	32.5%
Cash and cash equivalents, beginning of year	<u>9,486,839</u>	<u>7,957,980</u>	19.2%
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 11,512,068</b></u>	<u><b>\$ 9,486,839</b></u>	21.3%

**NEW MEXICO FINANCE AUTHORITY**  
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### **NMFA Operating Fund**

The NMFA Operating Fund (Operating Fund) is an internal fund that serves as a repository for all unrestricted cash generated and capital assets owned by NMFA and as a clearinghouse for payables and receivables between the program funds.

Fiscal year 2019 was the first time the Operating Fund appeared in NMFA's financial statements as a separate fund. Previously it was embedded in the PPRF and accounted for in a sub-ledger of the General Ledger as unrestricted cash and in another sub-ledger as the sum of intra-program due-to and due-from eliminations. Because of the legal and policy restrictions on the cash and receivables within each fund, none of the program funds can serve as a general fund to the others. Only unrestricted cash can be used to finance the operations of a cash-strapped program. Until fiscal year 2019, unrestricted cash flowing primarily from ongoing administrative fees and one-time origination/processing fees charged by the PPRF and the private lending programs were carried as an accumulated cash balance in the PPRF. When the other programs needed cash to cover their operations in the short term, they borrowed from this balance, with the payable credited as *Due to Other Funds* and a receivable debited to the PPRF as *Due from Other Funds*.

Management decided to present the Operating Fund distinctly alongside all the other funds to give greater transparency to the accumulated cash balances generated by its operations and to account for intra-fund borrowing more efficiently.

Total fund balance (net position) in the Operating Fund at the end of fiscal year 2020 stood at \$22.6 million, of which \$16.2 million, was unrestricted cash. The remainder was either capital assets or cash in the other funds that at year end could not yet be transferred to the Operating Fund. Due from other funds was \$6.9 million at June 30, 2020, as other funds had to tap the cash in this fund to make up liquidity shortfalls. See the Condensed Statements of Net Position for the Operating Fund below.

Net position decreased by \$5.8 million (-20.5%), the largest factor of which was the transfer of \$12.0 million to the Essential Services Working Capital Program. The operating expenses for the Operating Fund are solely the expenses that the other funds did not have enough liquidity to cover by year end. See the Condensed Statements of Revenue, Expenses and Changes in Net Position below.

The Operating Fund saw a significant decrease in net cash flow, \$8.7 million, primarily from non-capital financing activities. The net effect was a decrease in the cash balance from \$24.9 million to \$16.2 million. See the Condensed Statements of Cash Flows for the Operating Fund below.

**NEW MEXICO FINANCE AUTHORITY**  
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**Condensed Statements of Net Position – Operating Fund**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 16,168,066	\$ 24,874,977	\$ (8,706,911)	(35.0%)
Restricted	-	410	(410)	(100.0%)
Due from other funds	6,918,176	3,429,405	3,488,771	101.7%
Other receivables	310,167	151,479	158,688	104.8%
Capital assets, net of accumulated depreciation	1,339,799	1,054,119	285,680	27.1%
Other assets	183,683	162,281	21,402	13.2%
<b>Total Assets</b>	<b>24,919,891</b>	<b>29,672,671</b>	<b>(4,752,780)</b>	<b>(16.0%)</b>
<b>Liabilities</b>				
Accounts payable, accrued payroll and compensated absences	1,233,206	1,078,007	155,199	14.4%
Due to other funds	913,992	-	913,992	100.0%
Other liabilities	129,561	124,208	5,353	4.3%
<b>Total Liabilities</b>	<b>2,276,759</b>	<b>1,202,215</b>	<b>1,074,544</b>	<b>89.4%</b>
<b>Net Position</b>				
Net investment in capital assets	1,339,799	1,054,119	285,680	27.1%
Restricted for program commitments	5,135,267	2,541,369	2,593,898	102.1%
Unrestricted	16,168,066	24,874,968	(8,706,902)	(35.0%)
<b>Total Net Position</b>	<b>\$ 22,643,132</b>	<b>\$ 28,470,456</b>	<b>\$ (5,827,324)</b>	<b>(20.5%)</b>

**NEW MEXICO FINANCE AUTHORITY**  
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**Condensed Statements of Revenue, Expenses & Changes in Net Position – Operating Fund**

	2020	2019	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Administrative fees revenue	\$ 256,250	\$ 260,561	\$ (4,311)	(1.7%)
Interest on investments	431,666	46,944	384,722	819.5%
<b>Total Operating Revenue</b>	<u>687,916</u>	<u>307,505</u>	<u>380,411</u>	<u>123.7%</u>
<b>Operating Expenses</b>				
Salaries and benefits	240,811	163,251	77,560	47.5%
Professional services	98,504	86,266	12,238	14.2%
Other operating costs	16,423	41,123	(24,700)	(60.1%)
Rent and utilities	10,504	9,413	1,091	11.6%
Depreciation expense	101,158	66,289	34,869	52.6%
<b>Total Operating Expenses</b>	<u>467,400</u>	<u>366,342</u>	<u>101,058</u>	<u>27.6%</u>
<b>Net Operating Gain (Loss)</b>	<u>220,516</u>	<u>(58,837)</u>	<u>279,353</u>	<u>(474.8%)</u>
<b>Non-operating Revenue</b>				
Transfers to State and intra-fund	(6,047,840)	21,469,621	(27,517,461)	(128.2%)
<b>Net Non-operating (Expenses) Revenue</b>	<u>(6,047,840)</u>	<u>21,469,621</u>	<u>(27,517,461)</u>	<u>(128.2%)</u>
<b>(Decrease) Increase in Net Position</b>	<u>(5,827,324)</u>	<u>21,410,784</u>	<u>(27,238,108)</u>	<u>(127.2%)</u>
Net position, beginning of year	28,470,456	7,059,672	21,410,784	303.3%
<b>Net Position, End of Year</b>	<u>\$ 22,643,132</u>	<u>\$ 28,470,456</u>	<u>\$ (5,827,324)</u>	<u>(20.5%)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

**Condensed Statements of Cash Flows – Operating Fund**

	<b>2020</b>	<b>2019</b>	<b>Percentage Increase / (Decrease)</b>
Net Cash (Used) Provided by Operating Activities	<b>\$ (2,704,309)</b>	\$ 2,757,276	(198.1%)
Net Cash (Used) Provided by Non-capital Financing Activities	<b>(6,047,840)</b>	21,469,621	(128.2%)
Net Cash Provided by Investing Activities	<b>431,666</b>	46,944	819.5%
Net Cash Used in Capital Financing Activities	<b>(386,838)</b>	(420,759)	(8.1%)
Net (Decrease) Increase in Cash and Cash Equivalents	<b>(8,707,321)</b>	23,853,082	(136.5%)
Cash and cash equivalents, beginning of year	<b>24,875,387</b>	1,022,305	2333.3%
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 16,168,066</b>	\$24,875,387	(35.0%)

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

***Long-term Debt Activity***

Demand for PPRF loans remained stable throughout the fiscal year. To meet this demand, NMFA issued three new bond series, for a total of \$166.6 million in new debt, to replenish the PPRF revolving loan fund. Part of the bond proceeds, \$51.3 million, were used to refinance two older series whose first call dates had arrived. Total actual proceeds from these new issues totaled \$198.9 million. This total includes \$32.4 million in bond premiums, of which \$10.6 million was passed through to borrowers whose loans were funded simultaneously with the bonds. The table below summarizes the source and uses for each series:

Issue Date	Series	Source/Use	Amount	Uses Other Than Loans
June 29, 2020	2020 B	PAR	\$81,000,000	
		Premium	18,847,766	
		Line of Credit Repayment		\$15,007,826
		Borrower Premium Pass-through		10,640,130
April 17, 2020	2020 A	PAR	32,305,000	
		Premium	3,373,728	
		Bond Refinancing: 2010 A1, B1		17,400,000
September 26, 2019	2019 D	PAR	53,260,000	
		Premium	10,543,153	
		Bond Redemption: 2009 C		33,860,000
TOTALS:		PAR	\$166,565,000	
		Premium	\$32,764,647	
		Borrower Pass-through		\$10,640,130
		Redemptions/Refinancing		\$51,260,000

While NMFA did see some interruption in the capital markets in late March immediately after the COVID-19 health emergency was announced, it was able to join the other top-rated issuers and gain access to capital on highly competitive terms with a bond sale on April 6, 2020.

NMFA next entered the bond market on June 17, 2020, after drawing \$15 million from its line of credit with Wells Fargo Bank on June 1. That draw was repaid on June 29, 2020.

More detailed information about NMFA's long-term debt is presented in Notes 6 and 11 to the Financial Statements.

***Capital Asset Activity***

NMFA acquired capital assets during the fiscal year to support improving technology, utilizing new hardware to replace older, outdated products. Laptops were provided to all employees, which greatly enhanced operations by allowing employees to effectively function while working remotely during the public health orders limiting the number of employees allowed to work onsite. The cost of new technology hardware was \$86,464.

**NEW MEXICO FINANCE AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020 AND 2019**

Implementation of the EnABLE loan servicing software continued throughout the fiscal year, and all water programs now fully reside on this platform. Development, testing and implementation is ongoing, with all programs expected to reside solely on EnABLE by the end of fiscal year 2021. The cost of this project in fiscal year 2020 was \$300,374.

More detailed information about capital assets is presented in Note 5 to the Financial Statements.

***Economic Outlook***

The spread of COVID-19 and responsive measures taken to prevent or reduce its spread have, and are expected to continue to have, potentially adverse impacts to the State’s economy and its operations and, accordingly, the financial condition of the State, the NMFA, and Governmental Units. In further response to COVID-19 and related responsive measures, the Governor called a special session of the State Legislature (the “2020 Special Session”), which began on June 18, 2020, and ended on June 22, 2020, to address, among other matters, the impact of COVID-19 on the State. During the 2020 Special Session, the State Legislature passed, and the Governor has signed into law, legislation addressing the impact of COVID-19 on the State’s budget (including enabling the use of federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding), tax relief for individuals, loans for small businesses and local governments, and election improvements. Additionally, the NMFA has implemented, and continues to assess its ability to further implement, to the extent deemed necessary, various mechanisms to assist Governmental Units that may be adversely impacted by COVID-19 and related responsive measures. Due to the unprecedented nature of the outbreak and spread of COVID-19, the duration and extent of the potential economic, operational and financial impacts of COVID-19 and related responsive measures on the NMFA cannot be reliably measured at this time.

**Contacting NMFA’s Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of NMFA’s finances and to demonstrate NMFA’s accountability for the money it receives.

Substantial additional information is available on NMFA’s website at [www.nmfinance.com](http://www.nmfinance.com) and on NMFA’s PPRF investor relations website at [www.nmbondfinance.com](http://www.nmbondfinance.com). If you have any questions about this report or need additional financial information, contact:

**New Mexico Finance Authority (NMFA)**  
**207 Shelby Street**  
**Santa Fe, New Mexico 87501**

# **FINANCIAL STATEMENTS**

# NEW MEXICO FINANCE AUTHORITY

## Statement of Net Position Fiscal Year Ended June 30, 2020

### Assets

#### Current Assets

Cash and cash equivalents

Unrestricted cash \$ 16,168,066

Restricted cash 320,578,471

Current receivables 10,861,578

Other assets 638,132

Loans receivable, net of allowance 141,334,892

Total Current Assets 489,581,139

#### Non-current Assets

Restricted investments 369,252,126

Loans receivable, net of allowance 1,583,144,346

Capital assets, net of accumulated depreciation 1,339,799

Total Assets 2,443,317,410

### Deferred Outflows of Resources

Deferred loss on refunding 693,665

Total Deferred Outflows of Resources 693,665

### Liabilities

#### Current Liabilities

Accounts payable 455,273

Accrued payroll 262,445

Compensated absences 526,988

Bond interest payable 7,942,372

Undisbursed loan proceeds 320,840,186

Advanced loan payments 89,526,221

Bonds payable, net 116,270,000

Other liabilities 1,033,471

Total Current Liabilities 536,856,956

#### Non-current Liabilities

Bonds payable, net 1,322,671,647

Total Liabilities 1,859,528,603

### Deferred Inflows of Resources

Deferred gain on refunding 3,704,574

Total Deferred Inflows of Resources 3,704,574

### Net Position

Net investment in capital assets 1,339,799

Restricted for program commitments 563,270,033

Unrestricted 16,168,066

Total Net Position \$ 580,777,898

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Revenue, Expenses and Change in Net Position**  
**Fiscal Year Ended June 30, 2020**

<b>Operating Revenue</b>		
Interest on loans	\$	52,792,559
Administrative fees revenue		6,828,344
Interest on investments		6,003,467
Unrealized Gain		2,595,322
	<b>Total Operating Revenue</b>	68,219,692
<b>Operating Expenses</b>		
Bond interest expense		50,720,720
Grants to others		31,480,701
Loan financing pass-through		10,640,130
Salaries and benefits		5,108,045
Bond issuance costs		1,243,666
Professional services		3,266,820
Other operating costs		997,558
Recovery of loan loss allowance		(294,021)
Interest expense		7,826
Rent and utilities		414,551
Depreciation expense		101,158
	<b>Total Operating Expenses</b>	103,687,154
	<b>Net Operating Loss</b>	(35,467,462)
<b>Non-operating Revenue (Expenses)</b>		
Appropriation revenue		50,326,048
Federal grant revenue		11,599,117
Transfers from the State		19,783,240
Transfers to the State		(6,779,091)
	<b>Net Non-operating Revenue</b>	74,929,314
	<b>Increase in Net Position</b>	39,461,852
Net position, beginning of year		541,316,046
	<b>Net Position, End of Year</b>	\$ 580,777,898

The accompanying Notes are an integral part of these Financial Statements

# NEW MEXICO FINANCE AUTHORITY

## Statement of Cash Flows

Fiscal Year Ended June 30, 2020

### Cash Flows from Operating Activities

Cash paid for employee services	\$ (4,989,890)
Cash paid to vendors for services	(6,724,546)
Loan payments received	220,120,914
Loans funded	(278,281,535)
Grants to local governments	(31,480,701)
Cash received from Federal capitalization grant	11,599,117
Interest on loans	52,179,889
Administrative fees received	7,278,445
<b>Net Cash Used in Operating Activities</b>	<u><u>(30,298,307)</u></u>

### Cash Flows from Non-capital Financing Activities

Reversions	(170,035)
Appropriations from the State	50,326,048
Cash transfers from the State	19,783,240
Cash transfers to the State	(6,609,056)
Proceeds from the sale of bonds	198,939,647
Payment of bonds	(166,720,000)
Bond issuance costs	(1,243,666)
Bond interest expense paid	(57,953,540)
Proceeds from line of credit	15,000,000
Payments on line of credit	(15,000,000)
Loan financing pass-through to borrower	(10,640,130)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u><u>25,712,508</u></u>

### Cash Flows from Investing Activities

Purchase of investments	(318,075,358)
Sale of investments	357,627,615
Interest received on investments	8,598,789
<b>Net Cash Provided by Investing Activities</b>	<u><u>48,151,046</u></u>

### Cash Flows from Capital Financing Activities

Capital assets	(386,838)
<b>Net Cash Used in Capital Financing Activities</b>	<u><u>(386,838)</u></u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>43,178,409</b>

Cash and cash equivalents, beginning of year	<u>293,568,128</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 336,746,537</u></u>

### Reconciliation of Cash and Cash Equivalents

Unrestricted cash and cash equivalents	\$ 16,168,066
Restricted cash and cash equivalents	<u>320,578,471</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 336,746,537</u></u>

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Cash Flows, Continued**  
**Fiscal Year Ended June 30, 2020**

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**Reconciliation of Net Operating Loss to Net Cash (Used)**

**Provided by Operating Activities**

Net operating loss	\$ (35,467,462)
Adjustments to Change in Net Position	
Depreciation	101,158
Amortization on bond premiums	(10,577,800)
Provision for loan losses	(294,021)
Interest on investments	(8,598,789)
Bond interest paid	61,298,520
Loan financing pass-through to borrowers	10,640,130
Bond issuance costs	1,243,666
Cash received from Federal grants	11,599,117
Interest expense	7,826
Changes in Assets and Liabilities	
Interest receivable	(612,670)
Grants, prepaid expenses and other receivables	(716,273)
Administrative fees receivable	1,173,535
Loans receivable, net of allowance	(82,382,686)
Accounts payable	48,543
Accrued payroll	52,643
Accrued compensated absences	65,512
Undisbursed loan proceeds	30,898,575
Advanced loan payments	(6,676,511)
Other liabilities	(2,101,320)
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (30,298,307)</u></b>

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds – Statement of Assets and Liabilities**  
**Fiscal Year Ended June 30, 2020**

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**Assets**

Cash held by Trustee	<u>8,135,298</u>
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<b>Total Assets</b>	<b>\$ <u>8,135,298</u></b>
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**Liabilities**

Debt service payable	1,178,767
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Program funds held for NM Dept of Transportation	<u>6,956,531</u>
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<b>Total Liabilities</b>	<b>\$ <u>8,135,298</u></b>
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The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1) Nature of Organization**

The New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico (State), is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality, organized and existing pursuant to the New Mexico Finance Authority Act (the Act). NMFA has broad powers to provide financing for an array of infrastructure and economic development projects. The Act also provides for long-term planning and assessment of state and local capital needs and improves cooperation among the executive and legislative branches of state government and local governments in financing public projects.

NMFA's governing Board of Directors (NMFA Board) is composed of 11 members. Ex officio members include the Secretary of the Department of Finance and Administration; Secretary of the Economic Development Department; Secretary of the Energy, Minerals and Natural Resources Department; Secretary of the Environment Department; Executive Director of the New Mexico Municipal League; and the Executive Director of New Mexico Counties. The Governor, with the advice and consent of the Senate, appoints the remaining members, including the Chair and a member who must be the Chief Financial Officer of a New Mexico institution of higher education. The appointed members serve at the pleasure of the Governor.

NMFA issues loans to qualified entities pursuant to the rules and regulations governing the Public Project Revolving Fund (PPRF). The PPRF provides low-cost financing to qualified government entities for a variety of qualified projects throughout the state. The PPRF Program receives 75% of the Governmental Gross Receipts Tax (GGRT) collected by the State pursuant to Section 7-1-6.38 NMSA 1978. NMFA may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and NMFA.

NMFA may also serve as conduit issuer of revenue bonds for other governmental agencies. This activity is reported as an Agency Fund.

NMFA manages the Drinking Water State Revolving Loan Fund (DWSRLF) and the Water Project Fund (WPF).

The DWSRLF provides low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant where the Environmental Protection Agency (EPA) and the State 20% cost share.

The WPF program provides grants and interest-free loans to water projects supporting water use efficiency, resource conservation and protection, and fair distribution and allocation of water. In the accompanying statements, the receipt of funds for the WPF program is reflected as Transfers from the State in the amount of \$10,621,114 at June 30, 2020.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

Other significant programs and financing administered by NMFA include:

- ◆ The New Markets Tax Credits Program (NMTC), whereby NMFA is the managing member in Finance New Mexico, LLC, is a subsidiary for-profit company that has received \$321 million in total allocations of federal tax credits under the NMTC Program.
- ◆ The Economic Development Revolving Fund (ED) comprises two programs: Smart money, which is a loan participation program that allows NMFA to buy interests in loans made by New Mexico banks and financial institutions, and the Essential Services Working Capital Program (ESWCP), which is an emergency working capital program established by the NMFA Board in April 2020 to help community service providers and other essential businesses operating during the emergency health order. The first ESWCP loans were approved in fiscal year 2020 but did not close until fiscal year 2021.
- ◆ The Primary Care Capital Fund (PCCF) is a revolving loan program that provides low-interest rate loans to non-profit and government-owned primary care health clinics for infrastructure, construction and capital equipment purchases. These loans can provide up to 20% annual loan forgiveness should the borrower meet certain requirements in providing free or reduced-cost medical care to sick and indigent clients.
- ◆ The Behavioral Health Capital Fund (BHCF) is a revolving loan program that provides low-interest rate loans to government owned and non-profit behavioral health providers for infrastructure, construction and capital equipment purchases. These loans can provide up to 20% annual loan forgiveness should the borrower meet certain requirements in providing free or reduced-cost medical care to sick and indigent clients.
- ◆ The Local Government Planning Fund Program (LGPF) provides grants to qualified local government entities on a per-project basis for infrastructure planning projects.
- ◆ The Colonias Infrastructure Fund (CIF) consists, in part, of proceeds from severance tax bonds authorized in Section 7-27-12.5 NMSA 1978. It provides loans and grants to certain communities located within 150 miles of the Mexican border in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, and roads. In the accompanying statements, the receipt of funds for the CIF is reflected as Transfers from the State in the amount of \$9,162,126 at June 30, 2020.
- ◆ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department (NMEDD), NMFA received federal State Small Business Credit Initiative (SSBCI) funds to help increase the flow of capital to small businesses by mitigating bank risk. NMFA uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation Program. NMFA is no longer making loans from this program and is transferring the repaid principal to NMEDD quarterly.

NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

issued by NMFA under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The NMFA Oversight Committee was created by the Act, and its membership is appointed by the Legislative Council to provide legislative oversight.

The financial statements include the accounts of NMFA and its blended component unit, Finance New Mexico, LLC (FNMLLC). All intercompany transactions and balances are eliminated. The condensed financial statements of FNMLLC are disclosed in Note 14.

## **2) Summary of Significant Accounting Policies**

### Accounting Principles

The financial statements of NMFA have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

### Basis of Presentation

The financial statements of NMFA have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of NMFA's activities, except those in which NMFA acts as an agent, are reported as an enterprise fund.

NMFA distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing financial services in connection with ongoing operations. Primary operating revenues include financing income and fees charged to program borrowers. Operating expenses include interest expense and program support, as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Non-operating items consist of State appropriations for GGRT revenue and Water Project Fund legislated designations. Grant revenue and transfers to and from the State consist of excess distributions and reversions of prior-year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, NMFA uses restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

### Agency Funds

Agency Funds are used to report resources held by NMFA in a purely custodial capacity. These funds result from bond transactions in which NMFA acts as fiscal agent for the New Mexico Department of Transportation (NMDOT). The amounts reported as agency funds do not belong to NMFA and are held in separate accounts on NMFA's books in the name of

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

NMDOT. Accordingly, all assets held and reported in the Agency Funds are offset by a corresponding liability.

Cash, Cash Equivalents and Investments

NMFA considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with Wells Fargo Bank and the Bank of Albuquerque, which also acts as NMFA's bond trustee. Certain proceeds of NMFA's bonds, as well as certain resources set aside for their repayment, are invested in certain permitted securities.

NMFA has implemented GASB 72, *Fair Value Measurement and Application*. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Restricted vs. Unrestricted Cash

If it is obligated contractually, statutorily or by an official vote of the Board to a specific purpose or program, cash is presented as restricted. Otherwise it is presented as unrestricted cash.

Current Receivables

Current receivables comprise interest receivable, administrative fees receivable, grants and other receivables arising from the normal course of operations.

Loans Receivable

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. Loans that become past-due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status if they are sufficiently insured, guaranteed or collateralized.

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and any necessary adjustments are reported as a charge to income in the period they become known.

Assets obtained through loan foreclosure are initially recorded at the fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by NMFA and the assets are carried at the lower of carrying

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

amount or fair value less cost to sell. These assets are included in the other assets on the statement of net position.

State Loans Receivable

State loans receivable consist of amounts due from the State based on legislated appropriations of specified taxes for repayment of certain bonds issued by NMFA on behalf of State entities. The related statutes direct NMFA to issue bonds and make proceeds available to specified State entities to fund various projects. The statutes appropriate a portion of pledged future taxes or fees to fund the payment of the related bonds. No allowance has been established, as all such receivables are considered reliably collectable.

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays individually exceeding \$5,000 that significantly extend the useful life of an asset are capitalized.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used, based on estimated useful lives ranging from three to seven years.

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Loan Financing Pass-Through

Loan financing pass-through expenses are bond premiums associated with certain loans passed through by NMFA to the respective borrowers. The refinanced loans were associated with certain bond premiums, which reduced the outstanding principal of the associated loans. The reductions represent a loan financing pass-through expense to NMFA. For fiscal year 2020, loan financing pass-through expenses were \$10,640,130.

Compensated Absences

Full-time employees with up to ten years of employment with NMFA are entitled to fifteen days of vacation leave each fiscal year. Employees with more than ten years of service receive twenty days per fiscal year. Employees are permitted to receive vacation leave and

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

carry over unused balances each year, capped at 320 hours. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave, up to a maximum of 320 hours.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five percent (25%) of their current hourly rate for accumulated unpaid sick leave, up to 320 hours. Part-time employees accrue vacation and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the NMFA Operating Fund.

Undisbursed Loan Proceeds

Undisbursed loan proceeds represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. Most of the balance in undisbursed loan proceeds is for loans in the PPRF program.

Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients that have not been applied as a payment against their loan, as well as debt service reserve accounts funded from the loan proceeds. NMFA applies loan payments semi-annually. Any payments received prior to being applied to the loan are held in an account that earns interest, and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's Office (STO). The balance of advanced loan payments was \$89,526,221 at June 30, 2020.

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is referred to as net position. Net position is categorized as net investment in capital assets (net of related debt), restricted or unrestricted based on the following:

*Net investment in capital assets* is intended to reflect the portion of net position associated with capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. NMFA has no capital asset-related debt.

*Restricted net position* reflects the portion of net position with third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, NMFA spends restricted resources first.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

The following lists significant programs and the associated restricting statutes and bond covenants:

PPRF	6-21-6 NMSA 1978; General and Subordinated Indentures of Trust
DWSRLF	6-21A-4 NMSA 1978; EPA Capitalization Grant Agreements
WPF	72-4A-9 NMSA 1978
NMTC	6-25-6.1 NMSA 1978; NMTC Allocation Agreement
ED	6-25-1 NMSA 1978 (ESWCP 6-25-1 NMFA 1978; Emergency Rules)
PCCF	24-1C-4 NMSA 1978
BHCF	6-26-4 NMSA 1978
LGPF	6-21-6.4 NMSA 1978
CIF	6-30-7 NMSA 1978
SSBCI	6-25-13 NMSA 1978; SSBCI Allocation Agreement

*Unrestricted net position* represents the portion of net position not otherwise classified as invested in capital assets or restricted net position.

Income Taxes

NMFA is a tax-exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. NMFA is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by NMFA.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Budget

Although NMFA's budget represents a financial plan, not a legal constraint, management constrains itself to the amounts approved by the NMFA Board for the main categories of the Operating Fund: Salaries and Benefits, Contractual Services, and Operations; therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

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**3) Investments**

NMFA follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

NMFA's investments conform to the provisions of the Amended and Restated Investment Policy (Investment Policy) dated October 24, 2019, the provisions of the General Indenture of Trust and Subordinated Indenture of Trust applicable to NMFA's bond issuances, bond resolutions and other documents or agreements that control the investment of funds.

Except where prohibited by statute, trust indenture, bond resolution or other controlling authority, NMFA consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives of investment activity, in order of priority, shall be safety, liquidity and yield.

The Investment Policy provides investments are undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio while mitigating credit risk and interest rate risk.

Credit Risk

NMFA minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments; prequalifying financial institutions, broker/dealers, intermediaries and advisors with which NMFA does business; and diversifying the investment portfolio to minimize the impact of potential losses from any one type of security or from any one individual issuer.

FNMLLC cash balances are maintained in several accounts in several banks. At times, these balances may exceed the federal insurance limits; however, FNMLLC has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2020.

Interest Rate Risk

NMFA minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations (thereby avoiding the need to sell securities in the open market prior to maturity) and by investing operating funds primarily in short-term securities, limiting the average maturity of the portfolio.

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For additional deposit and investment risk disclosure information regarding cash held by the STO, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for June 30, 2020.

State General Fund Investment Pool

NMFA, as required by Section 24-1C-4, NMSA, 1978, administers the Primary Care Capital Fund (PCCF), which was created as a revolving fund in the STO. PCCF funds are deposited into the State General Fund Investment Pool (SGFIP), as are funds of State agencies. In fiscal year 2020, PCCF funds totaled \$7,512,088, representing less than 1% of total NMFA funds.

All other funds of NMFA, including PPRF funds that are subject to the General and Subordinated Indentures of Trust, are held outside of the STO with a Trustee and secured in accordance with NMFA's Investment Policy.

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Permitted Investments

As provided in Sections 6-21-6 and 6-21-5 of the Act, money pledged for or securing payment of bonds issued by NMFA is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the Investment Policy:

Description	Maximum Percentage of NMFA Funds <sup>1</sup>
Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
SEC-registered money market funds with total assets at time of deposit in excess of \$100,000,000 <sup>2</sup>	100%
Certificates of deposits and bank deposits <sup>3</sup>	20%
Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
Bonds or notes issued by any municipality, county or school district of the State	10%
Overnight repurchase agreements <sup>4</sup>	25%
Fixed income mutual funds	10%
Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements) <sup>1</sup>	10%
State Treasurer's Local Government Investment Pool	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of NMFA may be invested in a guaranteed investment contract (GIC) or flexible repurchase agreement without regard to the investment allocation constraints set forth in the Investment Policy, if the GIC or repurchase agreement provides for disbursement upon request of NMFA in amounts necessary to meet expense requirements for the bonds or other obligations.

<sup>1</sup> Limits do not apply to cash invested by trustee per bond indenture.

<sup>2</sup> Money markets must be rated AAA by Standard & Poor and be in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

<sup>3</sup> Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described above, registered in the name of NMFA and held by a third party safe-keeping agent, or collateralized as required by 6-10-16 NMSA 1978 at 102% of the value of the deposit that is not FDIC insured.

<sup>4</sup> Investment contracts and repurchase agreement investments must be fully secured by obligations described above, with all collateral held by an independent third party safe-keeping agent.

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Cash and equivalents at June 30, 2020 were as follows:

Description	Balance at June 30, 2020	Rated	Percentage of NMFA Funds <sup>5</sup>
FNMLLC cash equivalents	\$ 11,351,668	N/A	1%
Wells Fargo deposit account book balance	646,163	N/A	<1%
Wells Fargo repurchase agreement – fully secured <sup>6</sup>	335,917	N/A	<1%
Government Money Market Funds	316,900,702	AAA	41%
PCCF funds held with the SGFIP	7,512,088	N/A	<1%
Total Cash and Equivalents	<u>\$ 336,746,538</u>		
Cash held in agency fund	<u>\$ 8,135,298</u>		

<sup>5</sup> Limits described in the “permitted investments” section above to not apply to cash invested by trustee per bond indenture.

<sup>6</sup> Wells Fargo accounts FDIC insured for \$250,000. Remaining is secured by a pledge of NMFA securities in the name of the State of New Mexico, monitored by the New Mexico State Treasurer’s Office.

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Maturity Restrictions

It is the policy of NMFA to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, NMFA will invest in securities maturing five years or fewer from date of purchase.

Investments consist of bond proceeds, which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2020 are comprised of the following:

Description	Fair Value as of June 30, 2020	Average Years to Maturity	Percentage of NMFA Funds
US Treasury Notes	\$ 328,428,478	0.97	48%
US Government Agencies	<u>40,823,648</u>	1.88	6%
Total Restricted Investments	<u>\$ 369,252,126</u>		

Fair Value Measurement

NMFA's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

At June 30, 2020, NMFA's investments are classified as Level 1.

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**4) Loans Receivable**

Loans receivable activity for fiscal year 2020 was as follows:

Program	Term (Years)	Rates	2019	Increases	Decreases	2020
PPRF	1 to 30	0% to 6%	\$ 1,515,120,635	\$ 287,527,943	\$ 211,078,092	\$ 1,591,570,486
DWSRLF	1 to 30	0% to 4%	88,317,081	9,508,114	6,163,999	91,661,196
PCCF	10 to 20	3%	1,503,737	-	273,115	1,230,622
WPF	10 to 20	0%	30,579,993	2,276,652	1,967,116	30,889,529
ED	3 to 20	2% to 5%	1,911,183	749,404	904,376	1,756,211
BHCF	15	3%	696,303	1,442,256	523,862	1,614,697
CIF	10 to 20	0%	4,300,046	922,891	349,253	4,873,684
SSBCI	10 to 20	3%	2,637,689	-	125,951	2,511,738
			<u>1,645,066,667</u>	<u>302,427,260</u>	<u>221,385,764</u>	<u>1,726,108,163</u>
Less allowance for loan losses			<u>2,781,126</u>	<u>175,917</u>	<u>1,328,118</u>	<u>1,628,925</u>
	Net Total		<u>\$ 1,642,285,541</u>	<u>\$ 302,251,343</u>	<u>\$ 220,057,646</u>	<u>\$ 1,724,479,238</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2020:

Fiscal Year Ended June 30	Principal	Interest	Total
2021	\$ 160,918,191	\$ 51,313,124	\$ 212,231,315
2022	144,613,086	47,619,493	192,232,579
2023	136,377,968	43,615,195	179,993,163
2024	122,549,481	39,730,790	162,280,271
2025	120,346,714	36,187,663	156,534,377
2026-2030	521,166,874	130,655,107	651,821,981
2031-2035	337,401,639	62,162,080	399,563,719
2036-2040	146,888,691	17,529,536	164,418,227
2041-2045	28,160,517	3,275,692	31,436,209
2045-2050	<u>7,685,002</u>	<u>434,658</u>	<u>8,119,660</u>
Subtotals	\$ 1,726,108,163	\$ 432,523,338	\$ 2,158,631,501
Less allowance for loan loss	<u>1,628,925</u>		
Net Loans Receivable	<u>\$ 1,724,479,238</u>		

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State Loans Receivable

NMFA has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various State projects in the PPRF. Pursuant to the legislation, the debt service on these bonds is payable solely from pledged future revenues from the State and state entities. The following activity represents amounts due to NMFA under these agreements as of June 30, 2020. These loans are included in the PPRF loans above.

Loan Number	Project Name	State Entity	Balance at June 30, 2020
PPRF-3268	METROCRT4	Administrative Office of the Court	\$ 17,020,000
PPRF-1592	CULTAFFAIRS	Cultural Affairs Department	467,971
PPRF-4432	PPRF-4432	Department of Health	4,055,000
PPRF-2668	DOH9	Department of Health	7,836,400
PPRF-5127	PPRF-5127	Eastern New Mexico University	22,340,000
PPRF-3797	PPRF-3797	Eastern New Mexico University	5,223,964
PPRF-3283	ENMU2	Eastern New Mexico University	14,495,000
PPRF-4955	PPRF-4955	General Services Department	11,500,000
PPRF-4431	PPRF-4431	General Services Department	26,360,000
PPRF-4717	PPRF-4717	General Services Department	18,520,000
PPRF-3446	GSD7	General Services Department	1,218,907
PPRF-3445	GSD8	General Services Department	32,470,000
PPRF-4769	PPRF-4769	General Services Department	46,685,000
PPRF-3018	GILA 2	Gila Regional Medical Center (Energy Efficiency)	2,320,645
PPRF-2702	HIGHLANDS2	New Mexico Highlands University	13,085,000
PPRF-2345	HIGHLANDS3	New Mexico Highlands University	9,720,000
PPRF-5009	PPRF-5009	New Mexico Military Institute	6,689,000
PPRF-5008	PPRF-5008	New Mexico Military Institute	5,181,000
PPRF-2288	NMSPACE	New Mexico Spaceport Authority	31,125,000
PPRF-2527	NMSPACE2	New Mexico Spaceport Authority	14,860,000
PPRF-3296	NMSU2	New Mexico State University - Grants Branch	6,160,000
PPRF-1574	ENMRD2	Parks & Recreation Department	1,491,433
PPRF-2662	MOUNTAINAIR5	State of New Mexico (Energy Efficiency)	191,567
PPRF-4718	PPRF-4718	State of New Mexico (Energy Efficiency)	942,260
PPRF-3472	SANTAFE28	State of New Mexico (Energy Efficiency)	2,668,620
PPRF-2661	SOCORROSCH 8	State of New Mexico (Energy Efficiency)	227,195
PPRF-4803	PPRF-4803	State of New Mexico (Energy Efficiency)	404,547
PPRF-4956	PPRF-4956	State of New Mexico (Energy Efficiency)	3,507,034
PPRF-3424	UNMHEALTH	University of New Mexico - Health Sciences Center	14,635,000
PPRF-2700	WNMU	Western New Mexico University	9,765,000
PPRF-2909	WNMU2	Western New Mexico University	3,885,000
Total State Loans Receivable			<b><u>\$ 335,050,543</u></b>

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**5) Capital Assets**

A summary of changes in capital assets during fiscal year 2020 is as follows:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Capital assets not being depreciated				
Construction in progress	\$ 818,965	\$ 300,374	\$ -	\$ 1,119,339
Capital assets being depreciated				
Furniture and fixtures	46,033	-	-	46,033
Computer hardware and software	1,070,606	86,464	-	1,157,070
Leasehold improvement	8,241	-	-	8,241
	<u>\$ 1,943,845</u>	<u>\$ 386,838</u>	<u>\$ -</u>	<u>\$ 2,330,683</u>
Accumulated depreciation				
Furniture and fixtures	\$ (44,585)	\$ (1,448)	\$ -	\$ (46,033)
Computer hardware and software	(836,900)	(99,710)	-	(936,610)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>\$ (889,726)</u>	<u>\$ (101,158)</u>	<u>\$ -</u>	<u>\$ (990,884)</u>
Net total	<u>\$ 1,054,119</u>	<u>\$ 285,680</u>	<u>\$ -</u>	<u>\$ 1,339,799</u>

Depreciation expense for fiscal year 2020 was \$101,158.

**6) Bonds Payable**

Bonds have been issued to provide financing for PPRF and are collateralized as follows:

- ◆ Loan Agreements and securities executed and delivered by governmental units in consideration for the financing of all or a portion of their respective projects by NMFA.
- ◆ Amounts held in the Agreement Reserve Accounts.
- ◆ Additional pledged loans.
- ◆ Revenues received by NMFA from the allocation of PPRF's portion of the GGRT.
- ◆ Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include mainly Court Facilities Fees, Cigarette Excise and Tax, GGRT.

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Bonds payable consisted of the following at June 30, 2020:

Bond Series	Rate	Maturities	Original Amount	Outstanding at June 30, 2020
<b>PPRF REVENUE BONDS - SENIOR LIEN DEBT</b>				
2009 C	Paid off	Redeemed with cash	\$ 55,810,000	\$ -
2010 A-1	Paid off	Redeemed by Bond 2020 A	15,170,000	-
2010 A-2	4.932% to 6.406%	June 1, 2021 to June 1, 2039	13,795,000	9,435,000
2010 B-1	Paid off	Redeemed by Bond 2020 A	38,610,000	-
2010 B-2	4.746% to 6.230%	June 1, 2021 to June 1, 2035	17,600,000	16,200,000
2011 B-1	3.000% to 4.000%	June 1, 2021 to June 1, 2036	42,735,000	15,575,000
2011 B-2	3.800% to 4.950%	June 1, 2021 to June 1, 2031	14,545,000	7,170,000
2011 C	3.500% to 5.000%	June 1, 2021 to June 1, 2036	53,400,000	24,080,000
2012 A	3.000% to 5.000%	June 1, 2021 to June 1, 2038	24,340,000	14,640,000
2013 A	3.000% to 5.000%	June 1, 2021 to June 1, 2038	44,285,000	21,875,000
2013 B	3.750% to 5.000%	June 1, 2021 to June 1, 2036	16,360,000	8,155,000
2014 B	3.000% to 5.000%	June 1, 2021 to June 1, 2035	58,235,000	33,070,000
2015 B	2.250% to 5.000%	June 1, 2021 to June 1, 2045	45,325,000	31,820,000
2015 C	3.000% to 5.000%	June 1, 2021 to June 1, 2035	45,475,000	43,760,000
2016 A	2.500% to 5.000%	June 1, 2021 to June 1, 2036	52,070,000	34,330,000
2016 C	3.000% to 5.000%	June 1, 2021 to June 1, 2046	67,540,000	61,195,000
2016 D	2.000% to 5.000%	June 1, 2021 to June 1, 2046	116,485,000	88,705,000
2016 E	3.000% to 5.000%	June 1, 2021 to June 1, 2046	40,870,000	25,615,000
2016 F	3.375% to 5.000%	June 1, 2021 to June 1, 2046	38,575,000	27,735,000
2017 A	3.000% to 5.000%	June 1, 2021 to June 1, 2046	60,265,000	50,635,000
2017 C	3.000% to 5.000%	June 1, 2021 to June 1, 2030	37,675,000	24,220,000
2017 E	5.000%	June 1, 2021 to June 1, 2038	40,190,000	32,580,000
2018 A	3.250% to 5.000%	June 1, 2021 to June 1, 2038	124,330,000	107,770,000
2018 B	2.50% to 5.000%	June 1, 2021 to June 1, 2031	22,530,000	18,100,000
2018 D	5.000%	June 1, 2021 to June 1, 2038	53,310,000	45,115,000
2019 B	4.000% to 5.000%	June 1, 2021 to June 1, 2039	43,870,000	41,595,000
2019 D	3.000% to 5.000%	June 1, 2021 to June 1, 2041	53,260,000	52,280,000
2020 A	2.000% to 5.000%	June 1, 2021 to June 1, 2040	32,305,000	32,305,000
2020 B	3.000% to 5.000%	June 1, 2021 to June 1, 2041	81,000,000	81,000,000
			<b>1,349,960,000</b>	<b>948,960,000</b>

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<b>Bond Series</b>	<b>Rate</b>	<b>Maturities</b>	<b>Original Amount</b>	<b>Outstanding at June 30, 2020</b>
<b>PPRF REVENUE BONDS - SUBORDINATE LIEN DEBT</b>				
2014 A-1	3.250% to 5.000%	June 15, 2021 to June 15, 2033	\$ 15,135,000	\$ 11,665,000
2014 A-2	2.782% to 4.491%	June 15, 2021 to June 15, 2034	16,805,000	7,530,000
2015 A	3.000% to 5.000%	June 15, 2021 to June 15, 2035	63,390,000	45,470,000
2015 D	5.000%	June 15, 2021 to June 15, 2027	29,355,000	19,730,000
2016 B	5.000%	June 15, 2021 to June 15, 2021	8,950,000	1,580,000
2017 B	3.500% to 5.000%	June 15, 2021 to June 15, 2026	68,015,000	35,175,000
2017 D	5.000%	June 15, 2021 to June 15, 2033	41,395,000	29,685,000
2017 F	2.287% to 3.655%	June 15, 2021 to June 15, 2036	19,315,000	14,035,000
2018 C-1	4.000% to 5.000%	June 15, 2021 to June 15, 2039	19,400,000	18,340,000
2018 C-2	2.953% to 4.090%	June 15, 2021 to June 15, 2038	13,175,000	11,530,000
2018 E	5.000%	June 15, 2021 to June 15, 2038	70,205,000	63,155,000
2019 A	2.000% to 5.000%	June 15, 2021 to June 15, 2036	37,145,000	35,120,000
2019 C-1	4.000% to 5.000%	June 15, 2021 to June 15, 2039	18,930,000	17,495,000
2019 C-2	2.150% to 3.375%	June 15, 2021 to June 15, 2039	12,480,000	11,740,000
			<b>433,695,000</b>	<b>322,250,000</b>
		Total Bonds Outstanding	<b>\$ 1,783,655,000</b>	<b>1,271,210,000</b>
		Add net unamortized premium		<b>167,731,647</b>
		Total bonds payable, net		<b>1,438,941,647</b>
		Less current portion of bonds payable		<b>(116,270,000)</b>
		Non-current portion of bonds payable		<b>\$ 1,322,671,647</b>

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Maturities of bonds payable and interest are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2021	\$ 116,270,000	\$ 57,469,383	\$ 173,739,383
2022	113,350,000	52,094,084	165,444,084
2023	108,720,000	46,720,040	155,440,040
2024	94,815,000	41,542,331	136,357,331
2025	91,395,000	37,000,960	128,395,960
2026-2030	360,190,000	127,009,890	487,199,890
2031-2035	254,660,000	56,963,725	311,623,725
2036-2040	112,245,000	14,571,655	126,816,655
2041-2045	17,665,000	1,708,050	19,373,050
2046	1,900,000	57,000	1,957,000
	<u>1,271,210,000</u>	<u>\$ 435,137,118</u>	<u>\$ 1,706,347,118</u>
Add unamortized premium	<u>167,731,647</u>		
Bonds payable, net	<u>\$ 1,438,941,647</u>		

The bonds payable activity is as follows:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020	Due within One Year
Bonds payable	\$ 1,271,365,000	\$ 166,565,000	\$ 166,720,000	\$ 1,271,210,000	\$ 116,270,000
Add unamortized premium	<u>145,934,801</u>	<u>32,374,646</u>	<u>10,577,800</u>	<u>167,731,647</u>	-
Total	<u>\$1,417,299,801</u>	<u>\$198,939,646</u>	<u>\$ 177,297,800</u>	<u>\$1,438,941,647</u>	<u>\$116,270,000</u>

Current and Advance Refunding of Debt

During fiscal year 2020, the PPRF Revenue Refunding Bonds Senior Lien 2020 A series, issued in the total par amount of \$32,305,000, refunded the outstanding portion of the PPRF Revenue Bonds Senior Lien 2010 A-1 and 2010 B-1 series in the amounts of \$3,050,000 and \$14,350,000, respectively. The refunding resulted in debt service savings over 1 to 15 years of \$2,046,395 and a Net Present Value (NPV) savings of \$1,733,089 (9.96%).

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**7) Line of Credit**

NMFA maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain PPRF Revenue Bonds and to reimburse NMFA for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. Interest is due monthly on the outstanding balance and accrues at 70% of U.S. dollar monthly LIBOR plus 55 basis points. The LIBOR rate at June 30, 2020, was 0.16225%. NMFA pays a fee of 25 basis points on the unused portion of the facility. For fiscal year 2020, the line of credit had \$15 million in proceeds and payments, resulting in a zero balance at year end.

**8) Operating Lease Commitment**

NMFA is committed under various lease agreements for office space, employee parking and off-site storage. These leases are classified as operating leases. Lease expenditure for fiscal year 2020 was \$414,551. Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Minimum Payment
2021	\$ 429,939
2022	438,538
Total	<u><u>\$ 868,477</u></u>

**9) Retirement Plans**

The NMFA’s retirement plan was organized under Section 401(a) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of NMFA. Each eligible employee participating in the plan must contribute 3% of their compensation. NMFA makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. NMFA also makes a 50% matching contribution on all voluntary contributions. Employee contributions are 100% vested, and NMFA’s contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. NMFA’s contributions for this retirement plan for the year ended June 30, 2020 were \$591,787. Additionally, employee contributions for the retirement plan for the year ended June 30, 2020 were \$260,872. Substantially all full-time employees participate in this plan.

NMFA maintains a retirement plan in accordance with an “eligible deferred compensation plan” pursuant to Section 457 of the Internal Revenue Code for its highly compensated employees. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee contributions are fully vested at all times.

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**10) Compensated Absences**

The following changes occurred during fiscal year 2020 in the compensated absences liabilities:

Balance at June 30, 2019	\$ 461,476
Additions	246,221
Deletions	<u>(180,709)</u>
Balance at June 30, 2020	<u>526,988</u>
Due within one year	<u><u>\$ 526,988</u></u>

**11) Agency Transactions**

NMFA was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$881 million of such bonds was outstanding at June 30, 2020.

Debt service for the bonds is payable solely from certain revenues of NMDOT. In the opinion of legal counsel, there is no claim that could be asserted against NMFA's assets for payment of debt service on the NMDOT bonds; therefore, these bonds are not reflected in NMFA's financial statements. NMFA receives a biannual fee from NMDOT equal to its overhead costs for management of the bond issues. The fee is recognized on a cost reimbursement basis.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

## **12) Contingencies**

### Litigation

In the normal course of operations, NMFA is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims.

Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of NMFA.

NMFA is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NMFA participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, NMFA pays an annual premium to the State for the following types of insurance coverage:

- ◆ Workers' compensation insurance
- ◆ General liability insurance
- ◆ Civil rights
- ◆ Blanket property insurance
- ◆ Boiler and machinery insurance
- ◆ Auto physical damage insurance
- ◆ Crime insurance
- ◆ Cyber insurance

NMFA also carries commercial insurance to cover losses to which it may be exposed related to their leased office space.

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

## **13) Related Party Transactions**

NMFA has issued bonds or purchased securities for several other State entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are ex officio members of the NMFA Board. Additionally, a representative serving on the NMFA Board holds a position as Cabinet Secretary of the New Mexico Environmental Department (NMED). NMFA assists NMED in the administration of the DWSRLF federal program pursuant to a Memorandum of Understanding.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**14) Finance New Mexico, LLC**

NMFA has invested in, and is the managing member of, Finance New Mexico, LLC (FNMLLC), which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Markets Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC is to provide nontraditional investment capital to underserved markets and to enhance the return on such investments by providing its members with new markets tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement of FNMLLC, 99% of profits, losses and cash flows are allocated to NMFA, the managing member, and 1% to New Mexico Community Capital, the non-managing member.

FNMLLC has financial accountability to NMFA. Financial accountability is measured through the degree to which NMFA can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit. Based on the above criteria, it was determined that the FNMLLC is a blended component unit of NMFA. As such, NMFA has consolidated FNMLLC's financial statement amounts within NMFA's New Markets Tax Credit program. The condensed component unit information for FNMLLC and subsidiaries for the year ended June 30, 2020 was as follows:

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Statement of Net Position – FNMLLC**

		<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$	11,351,668
Asset management fee receivable		328,123
Investment in limited liability companies		13,593
Due from affiliate		955
<b>Total Assets</b>	<b>\$</b>	<b>11,694,339</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$	117,622
Due to affiliates		1,349,181
<b>Total Liabilities</b>		<b>1,466,803</b>
<b>Net Position</b>		
Unrestricted		10,227,536
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b>11,694,339</b>

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Statement of Revenue, Expenses and Changes in Net Position – FNMLLC**

	<b>2020</b>
<b>Revenue</b>	
Sponsor fee income	\$ 765,000
Asset management fee income	706,516
Success fees	2,559,180
<b>Total Operating Revenue</b>	<b>4,030,696</b>
 <b>Operating Expenses</b>	
Sponsor fee expense	700,453
Professional fees	71,850
Gross receipts tax	340,090
Bank fees	5,168
<b>Total Operating Expenses</b>	<b>1,117,561</b>
<b>Net Income from Operations</b>	<b>2,913,135</b>
 <b>Other Income (Expense)</b>	
Share of income from investment in LLC's	163
Interest earned on cash	7,558
Interest earned on note	12,253
<b>Net Other Income</b>	<b>19,974</b>
<b>Increase in Net Position</b>	<b>2,933,109</b>
Net position, beginning of year	7,294,437
Return of equity	(10)
<b>Net Position, End of Year</b>	<b>\$ 10,227,536</b>

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Statement of Cash Flows – FNMLLC**

	<b>2020</b>
<b>Cash Flows from Operating Activities</b>	
Sponsor fees	\$ 765,000
Asset management fees	1,247,436
Exit fees	2,558,222
Audit and tax fees	15,000
Total Receipts	4,585,658
Payment of gross receipts tax	(303,802)
Bank fees	(5,168)
Engagement deposit	(25,000)
Total Disbursements	(333,970)
<b>Net Cash Provided by Operating Activities</b>	<b>4,251,688</b>
<b>Cash Flows from Investing Activities</b>	
Investment income	19,811
Capital contributions to limited liability companies	(2,550)
Return of capital from limited liability companies	(10)
Distributions from limited liability companies	5,764
<b>Net Cash Provided by Investing Activities</b>	<b>23,015</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>4,274,703</b>
Cash and cash equivalents, beginning of year	7,076,965
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,351,668</b>

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**15) COVID-19**

Coronavirus Disease 2019 (“COVID-19”) is a highly contagious respiratory disease caused by a particular strain of coronavirus that has recently spread to many parts of the world, including the state and elsewhere in the U.S. On March 10, 2020, a State public health emergency was declared and a series of State public health orders were subsequently issued that prohibited all mass gatherings, instructed state residents to stay at home except for outings absolutely necessary for health, safety and welfare, and closed all non-essential business, non-profit, and governmental activities.

The spread of COVID-19 and responsive measures taken to prevent or reduce its spread have, and are expected to continue to have, potentially adverse impacts to the State’s economy and its operations and, accordingly, the financial condition of the State, the NMFA, and Governmental Units. In further response to COVID-19 and related responsive measures, the Governor called a special session of the State Legislature (the “2020 Special Session”), which began on June 18, 2020, and ended on June 22, 2020, to address, among other matters, the impact of COVID-19 on the State. During the 2020 Special Session, the State Legislature passed, and the Governor has signed into law, legislation addressing the impact of COVID-19 on the State’s budget (including enabling the use of federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding), tax relief for individuals, loans for small businesses and local governments, and election improvements. Additionally, the NMFA has implemented, and continues to assess its ability to further implement, to the extent deemed necessary, various mechanisms to assist Governmental Units that may be adversely impacted by COVID-19 and related responsive measures. Due to the unprecedented nature of the outbreak and spread of COVID-19, the duration and extent of the potential economic, operational and financial impacts of COVID-19 and related responsive measures on the NMFA cannot be reliably measured at this time.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**16) Subsequent Event**

In response to COVID-19 and related responsive measures, the Governor called a special session of the State Legislature (the “2020 Special Session”) which began on June 18, 2020, and ended on June 22, 2020. During the 2020 Special Session, the State Legislature passed, and the Governor signed into law on July 7, 2020, Senate Bill 3, as amended, titled the Small Business Recovery Act of 2020 (the “Recovery Act Legislation”), which created in the NMFA the Small Business Recovery Loan Fund (“SBRLF”) to provide loans to businesses that experienced financial hardship due to COVID-19. The Recovery Act Legislation directs the State Investment Council (“SIC”) to make an investment in the SBRLF from the Severance Tax Permanent Fund (“STPF”). The Recovery Act Legislation also directs the NMFA and the SIC to coordinate and develop a funding schedule to ensure that sufficient funding is available in the SBRLF for the NMFA to carry out the provisions of the Recovery Act Legislation. The Recovery Act Legislation permits 1% of the funding to be used by NMFA for administration of the SBRLF. On August 3, the SIC transferred \$100 million to the NMFA for deposit into the SBRLF. On August 5, 2020, after amending its operating budget to support the SBRLF, the NMFA began accepting applications and processing non-collateralized loans for amounts not to exceed \$75,000 to qualifying small businesses. The first loan closed on August 7, 2020. At this time, there is no anticipated adverse impact on NMFA’s operations or financial state.

## **SUPPLEMENTARY SCHEDULES**

	Operating Fund	BHCF	CIF	DWSRLF	ED	LGPF
<b>Assets</b>						
Current Assets						
Cash and cash equivalents						
Unrestricted Cash	\$ 16,168,066	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	399,940	128,749	48,092,678	7,346,330	2,355,572
Current receivables	310,167	4,976	-	228,053	-	-
Due from other funds	6,918,176	-	-	-	-	-
Other assets	183,683	454,449	-	-	-	-
Loans receivable, net of allowance	-	33,886	371,694	6,310,402	45,887	-
<b>Total Current Assets</b>	<b>23,580,092</b>	<b>893,251</b>	<b>500,443</b>	<b>54,631,133</b>	<b>7,392,217</b>	<b>2,355,572</b>
Non-current Assets						
Restricted investments	-	320,227	96,068	37,962,861	5,796,101	1,873,326
Loans receivable, net of allowance	-	1,492,192	4,501,990	85,350,794	1,622,513	-
Capital assets, net of accumulated depreciation	1,339,799	-	-	-	-	-
<b>Total Assets</b>	<b>24,919,891</b>	<b>2,705,670</b>	<b>5,098,501</b>	<b>177,944,788</b>	<b>14,810,831</b>	<b>4,228,898</b>
<b>Deferred Outflows of Resources</b>						
Deferred loss on refunding	-	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Current Liabilities						
Accounts payable	443,773	-	-	-	-	-
Accrued payroll	262,445	-	-	-	-	-
Compensated absences	526,988	-	-	-	-	-
Due to other funds	913,992	408,430	2,594,643	452,166	57,674	28,219
Bond interest payable	-	-	-	-	-	-
Undisbursed loan proceeds	-	-	-	-	-	-
Advanced loan payments	-	-	-	1,452,342	-	-
Bonds payable, net	-	-	-	-	-	-
Other liabilities	129,561	-	-	388,780	-	-
<b>Total Current Liabilities</b>	<b>2,276,759</b>	<b>408,430</b>	<b>2,594,643</b>	<b>2,293,288</b>	<b>57,674</b>	<b>28,219</b>
Non-current Liabilities						
Bonds payable, net	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,276,759</b>	<b>408,430</b>	<b>2,594,643</b>	<b>2,293,288</b>	<b>57,674</b>	<b>28,219</b>
<b>Deferred Inflows of Resources</b>						
Deferred gain on refunding	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	1,339,799	-	-	-	-	-
Restricted for program commitments	5,135,267	2,297,240	2,503,858	175,651,500	14,753,157	4,200,679
Unrestricted	16,168,066	-	-	-	-	-
<b>Total Net Position</b>	<b>\$ 22,643,132</b>	<b>\$ 2,297,240</b>	<b>\$ 2,503,858</b>	<b>\$ 175,651,500</b>	<b>\$ 14,753,157</b>	<b>\$ 4,200,679</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Net Position**  
**Fiscal Year Ended June 30, 2020**

NMTC	PCCF	PPRF	SSBCI	WPF	Intra-Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,168,066
11,375,840	7,512,096	231,751,645	103,553	11,512,068	-	320,578,471
342,671	4,221	9,480,679	88,974	401,837	-	10,861,578
913,992	-	-	-	-	(7,832,168)	-
-	-	-	-	-	-	638,132
-	178,715	131,046,025	113,620	3,234,663	-	141,334,892
12,632,503	7,695,032	372,278,349	306,147	15,148,568	(7,832,168)	489,581,139
32,022	-	313,997,029	80,057	9,094,435	-	369,252,126
-	990,376	1,459,259,069	2,272,546	27,654,866	-	1,583,144,346
-	-	-	-	-	-	1,339,799
12,664,525	8,685,408	2,145,534,447	2,658,750	51,897,869	(7,832,168)	2,443,317,410
-	-	693,665	-	-	-	693,665
-	-	693,665	-	-	-	693,665
11,500	-	-	-	-	-	455,273
-	-	-	-	-	-	262,445
-	-	-	-	-	-	526,988
-	55,886	2,437,306	809,493	74,359	(7,832,168)	-
-	-	7,942,372	-	-	-	7,942,372
-	-	320,840,186	-	-	-	320,840,186
-	16,785	88,057,094	-	-	-	89,526,221
-	-	116,270,000	-	-	-	116,270,000
515,130	-	-	-	-	-	1,033,471
526,630	72,671	535,546,958	809,493	74,359	(7,832,168)	536,856,956
-	-	1,322,671,647	-	-	-	1,322,671,647
526,630	72,671	1,858,218,605	809,493	74,359	(7,832,168)	1,859,528,603
-	-	3,704,574	-	-	-	3,704,574
-	-	3,704,574	-	-	-	3,704,574
-	-	-	-	-	-	1,339,799
12,137,895	8,612,737	284,304,933	1,849,257	51,823,510	-	563,270,033
-	-	-	-	-	-	16,168,066
<u>\$ 12,137,895</u>	<u>\$ 8,612,737</u>	<u>\$ 284,304,933</u>	<u>\$ 1,849,257</u>	<u>\$ 51,823,510</u>	<u>\$ -</u>	<u>\$ 580,777,898</u>

	<b>Operating Fund</b>	<b>BHCF</b>	<b>CIF</b>	<b>DWSRLF</b>	<b>ED</b>	<b>LGPF</b>
<b>Operating Revenue</b>						
Interest on loans	\$ -	\$ 16,690	\$ -	\$ 1,403,875	\$ 35,303	\$ -
Administrative fees revenue	256,250	-	-	114,041	-	-
Interest on investments	431,666	37,695	2,894	1,719,478	178,051	97,155
Unrealized Gain (Loss)	-	(2,177)	2,407	586,445	129,658	24,414
<b>Total Operating Revenue</b>	<b>687,916</b>	<b>52,208</b>	<b>5,301</b>	<b>3,823,839</b>	<b>343,012</b>	<b>121,569</b>
<b>Operating Expenses</b>						
Bond interest expense	-	-	-	-	-	-
Grants to others	-	-	8,239,235	4,986,823	-	349,435
Loan financing pass-through	-	-	-	-	-	-
Salaries and benefits	240,811	75,320	203,202	126,071	266,041	210,312
Bond issuance costs	-	-	-	-	-	-
Professional services	98,504	55,015	266,969	174,990	68,461	30,759
Other operating costs	16,423	110,876	22,772	40,048	17,766	14,089
Provision for loan losses	-	(485,123)	-	-	35,155	-
Interest expense	-	-	-	-	-	-
Rent and utilities	10,504	4,257	15,153	32,420	18,888	16,281
Depreciation expense	101,158	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>467,400</b>	<b>(239,655)</b>	<b>8,747,331</b>	<b>5,360,352</b>	<b>406,311</b>	<b>620,876</b>
<b>Net Operating (Loss) Income</b>	<b>220,516</b>	<b>291,863</b>	<b>(8,742,030)</b>	<b>(1,536,513)</b>	<b>(63,299)</b>	<b>(499,307)</b>
<b>Non-operating Revenue (Expenses)</b>						
Appropriation revenue	-	-	-	2,500,000	-	-
Federal grant revenue	-	-	-	11,599,117	-	-
Transfers from the State	-	-	9,162,126	-	-	-
Intra-fund transfers	(6,047,840)	-	-	(171,586)	12,000,000	410
Transfers to the State	-	-	-	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>(5,827,324)</b>	<b>291,863</b>	<b>420,096</b>	<b>12,391,018</b>	<b>11,936,701</b>	<b>(498,897)</b>
Net position, beginning of year	28,470,456	2,005,377	2,083,762	163,260,482	2,816,456	4,699,576
<b>Net Position, End of Year</b>	<b>\$ 22,643,132</b>	<b>\$ 2,297,240</b>	<b>\$ 2,503,858</b>	<b>\$ 175,651,500</b>	<b>\$ 14,753,157</b>	<b>\$ 4,200,679</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Revenue, Expenses and Changes in Net Position**  
**Fiscal Year Ended June 30, 2020**

NMTC	PCCF	PPRF	SSBCI	WPF	Other Programs	Total
\$ -	\$ 34,710	\$ 51,224,347	\$ 77,634	\$ -	\$ -	\$ 52,792,559
4,030,696	-	2,370,355	-	57,002	-	6,828,344
21,160	218,398	2,788,628	3,305	504,054	983	6,003,467
519	-	1,714,413	1,439	139,054	(850)	2,595,322
4,052,375	253,108	58,097,743	82,378	700,110	133	68,219,692
-	-	50,720,720	-	-	-	50,720,720
-	-	-	-	17,905,208	-	31,480,701
-	-	10,640,130	-	-	-	10,640,130
492,480	64,307	2,928,373	81,250	419,878	-	5,108,045
-	-	1,243,666	-	-	-	1,243,666
208,490	9,599	1,990,022	11,495	352,516	-	3,266,820
396,959	59,007	278,781	5,615	35,222	-	997,558
-	(13,657)	175,916	(6,312)	-	-	(294,021)
-	-	7,826	-	-	-	7,826
40,176	5,082	230,672	6,383	34,735	-	414,551
-	-	-	-	-	-	101,158
1,138,105	124,338	68,216,106	98,431	18,747,559	-	103,687,154
2,914,270	128,770	(10,118,363)	(16,053)	(18,047,449)	133	(35,467,462)
-	4,000,000	33,826,048	-	10,000,000	-	50,326,048
-	-	-	-	-	-	11,599,117
-	-	-	-	10,621,114	-	19,783,240
-	-	(5,780,311)	-	(673)	-	-
-	-	(6,465,719)	(143,337)	-	(170,035)	(6,779,091)
2,914,270	4,128,770	11,461,655	(159,390)	2,572,992	(169,902)	39,461,852
9,223,625	4,483,967	272,843,278	2,008,647	49,250,518	169,902	541,316,046
<u>\$ 12,137,895</u>	<u>\$ 8,612,737</u>	<u>\$ 284,304,933</u>	<u>\$ 1,849,257</u>	<u>\$ 51,823,510</u>	<u>\$ -</u>	<u>\$ 580,777,898</u>

	Operating Fund	BHCF	CIF	DWSRLF	ED
<b>Cash Flows from Operating Activities</b>					
Cash paid for employee services	\$ (122,656)	\$ (75,320)	\$ (203,202)	\$ (126,071)	\$ (266,041)
Cash paid to vendors for services	(104,436)	(141,587)	(304,894)	(2,368,916)	(105,115)
Loan payments received	-	42,192	349,253	6,238,314	46,882
Loans funded	-	(1,442,255)	(922,891)	(8,954,974)	(751,431)
Grants to local governments	-	-	(8,239,235)	(4,986,823)	-
Cash received from Federal capitalization grant	-	-	-	11,599,117	-
Interest on loans	-	13,499	-	1,416,105	35,303
Administrative fees received (paid)	(2,477,217)	90,635	378,359	304,380	(1,465,827)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(2,704,309)</b>	<b>(1,512,836)</b>	<b>(8,942,610)</b>	<b>3,121,132</b>	<b>(2,506,229)</b>
<b>Cash Flows from Non-capital Financing Activities</b>					
Reversions	-	-	-	-	-
Appropriations from the State	-	-	-	2,500,000	-
Cash transfers from the State	-	-	9,162,126	-	-
Cash transfers to the State	-	-	-	-	-
Intra-program transfers	(6,047,840)	-	-	(171,586)	12,000,000
Proceeds from the sale of bonds	-	-	-	-	-
Payment of bonds	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Bond interest expense paid	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-
Payments on line of credit	-	-	-	-	-
Loan financing pass-through to borrower	-	-	-	-	-
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(6,047,840)</b>	<b>-</b>	<b>9,162,126</b>	<b>2,328,414</b>	<b>12,000,000</b>
<b>Cash Flows from Investing Activities</b>					
Sale (purchase) of investments	-	733,436	(96,068)	(279,788)	(4,186,339)
Interest received on investments	431,666	35,518	5,301	2,305,923	307,709
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>431,666</b>	<b>768,954</b>	<b>(90,767)</b>	<b>2,026,135</b>	<b>(3,878,630)</b>
<b>Cash Flows from Capital Financing Activities</b>					
Capital assets	(386,838)	-	-	-	-
<b>Net Cash Used in Capital Financing Activities</b>	<b>(386,838)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	(8,707,321)	(743,882)	128,749	7,475,681	5,615,141
Cash and cash equivalents, beginning of year	24,875,387	1,143,822	-	40,616,997	1,731,189
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 16,168,066</b>	<b>\$ 399,940</b>	<b>\$ 128,749</b>	<b>\$ 48,092,678</b>	<b>\$ 7,346,330</b>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Net operating income (loss)	\$ 220,516	\$ 291,863	\$ (8,742,030)	\$ (1,536,513)	\$ (63,299)
Adjustments to Change in Net Position					
Depreciation	101,158	-	-	-	-
Amortization on bond premiums	-	-	-	-	-
Provision for loan losses	-	(485,123)	-	-	35,155
Interest on investments	(431,666)	(35,518)	(5,301)	(2,305,923)	(307,709)
Bond interest paid	-	-	-	-	-
Loan financing pass-through to borrowers	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Cash received from Federal grants	-	-	-	11,599,117	-
Interest expense	-	-	-	-	-
Changes in Assets and Liabilities					
Interest receivable	-	(3,191)	-	12,230	-
Grants, prepaid expenses and other receivables	(195,451)	28,561	-	-	-
Due from other programs	(3,488,770)	-	-	-	-
Administrative fees receivable	15,361	-	-	106,272	-
Loans receivable, net of allowance	-	(1,400,063)	(573,638)	(3,344,115)	(704,549)
Accounts payable	37,043	-	-	-	-
Accrued payroll	52,643	-	-	-	-
Compensated absences	65,512	-	-	-	-
Due to other programs	913,992	90,635	378,359	84,067	(1,465,827)
Undisbursed loan proceeds	-	-	-	-	-
Advanced loan payments	-	-	-	627,455	-
Other liabilities	5,353	-	-	(2,121,458)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (2,704,309)</b>	<b>\$ (1,512,836)</b>	<b>\$ (8,942,610)</b>	<b>\$ 3,121,132</b>	<b>\$ (2,506,229)</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Cash Flows**  
**Fiscal Year Ended June 30, 2020**

LGPF	NMTC	PCCF	PPRF	SSBCI	WPF	Other Programs	Intra-Program Eliminations	Total
\$ (210,312)	\$ (492,480)	\$ (64,307)	\$ (2,928,373)	\$ (81,250)	\$ (419,878)	\$ -	\$ -	\$ (4,989,890)
(61,129)	(619,340)	(73,688)	(2,499,475)	(23,493)	(422,473)	-	-	(6,724,546)
-	-	273,115	211,078,092	125,951	1,967,115	-	-	220,120,914
-	-	-	(263,933,333)	-	(2,276,651)	-	-	(278,281,535)
(349,435)	-	-	-	-	(17,905,208)	-	-	(31,480,701)
-	-	-	-	-	-	-	-	11,599,117
-	-	35,516	50,601,832	77,634	-	-	-	52,179,889
28,219	5,366,559	50,116	5,160,914	104,742	(262,435)	-	-	7,278,445
(592,657)	4,254,739	220,752	(2,520,343)	203,584	(19,319,530)	-	-	(30,298,307)
-	-	-	-	-	-	(170,035)	-	(170,035)
-	-	4,000,000	33,826,048	-	10,000,000	-	-	50,326,048
-	-	-	-	-	10,621,114	-	-	19,783,240
-	-	-	(6,465,719)	(143,337)	-	-	-	(6,609,056)
410	-	-	(5,780,311)	-	(673)	-	-	-
-	-	-	198,939,647	-	-	-	-	198,939,647
-	-	-	(166,720,000)	-	-	-	-	(166,720,000)
-	-	-	(1,243,666)	-	-	-	-	(1,243,666)
-	-	-	(57,953,540)	-	-	-	-	(57,953,540)
-	-	-	15,000,000	-	-	-	-	15,000,000
-	-	-	(15,000,000)	-	-	-	-	(15,000,000)
-	-	-	(10,640,130)	-	-	-	-	(10,640,130)
410	-	4,000,000	(16,037,671)	(143,337)	20,620,441	(170,035)	-	25,712,508
453,512	(2,754)	-	42,782,763	(21,520)	81,210	87,805	-	39,552,257
121,569	21,679	218,398	4,503,041	4,744	643,108	133	-	8,598,789
575,081	18,925	218,398	47,285,804	(16,776)	724,318	87,938	-	48,151,046
-	-	-	-	-	-	-	-	(386,838)
-	-	-	-	-	-	-	-	(386,838)
(17,166)	4,273,664	4,439,150	28,727,790	43,471	2,025,229	(82,097)	-	43,178,409
2,372,738	7,102,176	3,072,946	203,023,855	60,082	9,486,839	82,097	-	293,568,128
\$ 2,355,572	\$ 11,375,840	\$ 7,512,096	\$ 231,751,645	\$ 103,553	\$ 11,512,068	\$ -	\$ -	\$ 336,746,537
\$ (499,307)	\$ 2,914,270	\$ 128,770	\$ (10,118,363)	\$ (16,053)	\$ (18,047,449)	\$ 133	\$ -	\$ (35,467,462)
-	-	-	-	-	-	-	-	101,158
-	-	-	(10,577,800)	-	-	-	-	(10,577,800)
-	-	(13,657)	175,916	(6,312)	-	-	-	(294,021)
(121,569)	(21,679)	(218,398)	(4,503,041)	(4,744)	(643,108)	(133)	-	(8,598,789)
-	-	-	61,298,520	-	-	-	-	61,298,520
-	-	-	10,640,130	-	-	-	-	10,640,130
-	-	-	1,243,666	-	-	-	-	1,243,666
-	-	-	-	-	-	-	-	11,599,117
-	-	-	7,826	-	-	-	-	7,826
-	-	806	(622,515)	-	-	-	-	(612,670)
-	(154,654)	-	71	-	(394,800)	-	-	(716,273)
-	792,847	-	-	-	-	-	2,695,923	-
-	697,670	-	353,228	-	1,004	-	-	1,173,535
-	-	273,115	(76,449,850)	125,950	(309,536)	-	-	(82,382,686)
-	11,500	-	-	-	-	-	-	48,543
-	-	-	-	-	-	-	-	52,643
-	-	-	-	-	-	-	-	65,512
28,219	-	50,116	2,437,260	104,743	74,359	-	(2,695,923)	-
-	-	-	30,898,575	-	-	-	-	30,898,575
-	-	-	(7,303,966)	-	-	-	-	(6,676,511)
-	14,785	-	-	-	-	-	-	(2,101,320)
\$ (592,657)	\$ 4,254,739	\$ 220,752	\$ (2,520,343)	\$ 203,584	\$ (19,319,530)	\$ -	\$ -	\$ (30,298,307)

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds – Statement of Assets and Liabilities**  
**Fiscal Year Ended June 30, 2020**

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
<b>Fund 322</b> NMDOT Revenue Bonds, Series 2006				
Cash and investments	\$ 312	\$ 231,048	\$ 763	\$ 230,597
Total assets	<u>\$ 312</u>	<u>\$ 231,048</u>	<u>\$ 763</u>	<u>\$ 230,597</u>
Deposit held in trust for others	\$ 312	\$ 231,048	\$ 763	\$ 230,597
Total liabilities	<u>\$ 312</u>	<u>\$ 231,048</u>	<u>\$ 763</u>	<u>\$ 230,597</u>
<b>Fund 326</b> NMDOT Refunding Revenue Bonds, Series 2008				
Cash and investments	\$ 227,270	\$ -	\$ 227,270	\$ -
Total assets	<u>\$ 227,270</u>	<u>\$ -</u>	<u>\$ 227,270</u>	<u>\$ -</u>
Deposit held in trust for others	\$ 227,270	\$ -	\$ 227,270	\$ -
Total liabilities	<u>\$ 227,270</u>	<u>\$ -</u>	<u>\$ 227,270</u>	<u>\$ -</u>
<b>Fund 328</b> NMDOT Refunding Revenue Bonds, Series 2010A				
Cash and investments	\$ 9,071	\$ 23,016,136	\$ 22,975,845	\$ 49,362
Total assets	<u>\$ 9,071</u>	<u>\$ 23,016,136</u>	<u>\$ 22,975,845</u>	<u>\$ 49,362</u>
Deposit held in trust for others	\$ 9,071	\$ 23,016,136	\$ 22,975,845	\$ 49,362
Total liabilities	<u>\$ 9,071</u>	<u>\$ 23,016,136</u>	<u>\$ 22,975,845</u>	<u>\$ 49,362</u>
<b>Fund 329</b> NMDOT Refunding Revenue Bonds, Series 2010B				
Cash and investments	\$ 356,193	\$ 194,969,673	\$ 194,497,871	\$ 827,995
Total assets	<u>\$ 356,193</u>	<u>\$ 194,969,673</u>	<u>\$ 194,497,871</u>	<u>\$ 827,995</u>
Deposit held in trust for others	\$ 356,193	\$ 194,969,673	\$ 194,497,871	\$ 827,995
Total liabilities	<u>\$ 356,193</u>	<u>\$ 194,969,673</u>	<u>\$ 194,497,871</u>	<u>\$ 827,995</u>
<b>Fund 332</b> NMDOT Refunding Revenue Bonds, Series 2012				
Cash and investments	\$ 33,382	\$ 24,418,483	\$ 24,365,852	\$ 86,013
Total assets	<u>\$ 33,382</u>	<u>\$ 24,418,483</u>	<u>\$ 24,365,852</u>	<u>\$ 86,013</u>
Deposit held in trust for others	\$ 33,382	\$ 24,418,483	\$ 24,365,852	\$ 86,013
Total liabilities	<u>\$ 33,382</u>	<u>\$ 24,418,483</u>	<u>\$ 24,365,852</u>	<u>\$ 86,013</u>
<b>Fund 333 and 334</b> NMDOT Refunding Revenue Bonds, Series 2014				
Cash and investments	\$ 6,666,373	\$ 25,518,460	\$ 25,362,257	\$ 6,822,576
Total assets	<u>\$ 6,666,373</u>	<u>\$ 25,518,460</u>	<u>\$ 25,362,257</u>	<u>\$ 6,822,576</u>
Deposit held in trust for others	\$ 6,666,373	\$ 25,518,460	\$ 25,362,257	\$ 6,822,576
Total liabilities	<u>\$ 6,666,373</u>	<u>\$ 25,518,460</u>	<u>\$ 25,362,257</u>	<u>\$ 6,822,576</u>
<b>Fund 335</b> NMDOT Refunding Revenue Bonds, Series 2018				
Cash and investments	\$ 45,813	\$ 43,291,875	\$ 43,218,933	\$ 118,755
Total assets	<u>\$ 45,813</u>	<u>\$ 43,291,875</u>	<u>\$ 43,218,933</u>	<u>\$ 118,755</u>
Deposit held in trust for others	\$ 45,813	\$ 43,291,875	\$ 43,218,933	\$ 118,755
Total liabilities	<u>\$ 45,813</u>	<u>\$ 43,291,875</u>	<u>\$ 43,218,933</u>	<u>\$ 118,755</u>
Total cash and investments	<u>\$ 7,338,414</u>	<u>\$ 311,445,675</u>	<u>\$ 310,648,791</u>	<u>\$ 8,135,298</u>
Total deposits held in trust for others	<u>\$ 7,338,414</u>	<u>\$ 311,445,675</u>	<u>\$ 310,648,791</u>	<u>\$ 8,135,298</u>
Total assets	<u>\$ 7,338,414</u>	<u>\$ 311,445,675</u>	<u>\$ 310,648,791</u>	<u>\$ 8,135,298</u>
Total liabilities	<u>\$ 7,338,414</u>	<u>\$ 311,445,675</u>	<u>\$ 310,648,791</u>	<u>\$ 8,135,298</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Pledged Collateral**  
**Fiscal Year Ended June 30, 2020**

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	Bank Accounts:	Wells Fargo	Wells Fargo
Deposit account	\$	700,521	\$ -
Overnight investment sweep		-	335,917
Total amount of deposits (bank balances)		700,521	335,917
FDIC Coverage		(250,000)	(250,000)
Total uninsured public funds	\$	450,521	\$ 85,917
Collateral requirement @ 50%	\$	225,261	\$ -
Collateral requirement @ 102%	\$	-	\$ 87,635

Additional deposits not covered by the FDIC, including those of NMFA, are collateralized, along with the deposits of the State, in accordance with applicable State statutes. As of June 30, 2020, the value of collateral pledged on behalf of the State held at Wells Fargo was compliant with State statutes.

# **SINGLE AUDIT**

**NEW MEXICO FINANCE AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

Grantor / Program Title	Federal Catalog Number	Loan Balance as of 6/30/2019	Federal Expenditures FY 2020	Federal Awards Provided to Subrecipients	Loans & Loan Guarantees	Total
Environmental Protection Agency Drinking Water State Revolving Funds - Cluster	66.468	\$ 88,317,081	\$ 508,385	\$ 2,091,529	\$ 8,999,203	\$ 11,599,117
Total expenditures of federal awards		<u>\$ 88,317,081</u>	<u>\$ 508,385</u>	<u>\$ 2,091,529</u>	<u>\$ 8,999,203</u>	<u>\$ 11,599,117</u>

**See Notes to Schedule of Expenditures of Federal Awards**

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**1) General**

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of NMFA and is presented using the accrual basis of accounting, which is described in Note 1 to NMFA’s basic Financial Statements. NMFA uses a negotiated indirect cost rate approved by the grantor. NMFA has elected not to use the 10 percent de minimis indirect cost rate as allowed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”).

NMFA administers loans under the DWSRLF Program (Federal Catalog Number 66.468). The outstanding balance on the loans at June 30, 2020 is \$91,661,196. Because the schedule below presents only a selected portion of the operations of NMFA, it is not intended to and does not present the net position, or changes in net position, of NMFA. The information in this schedule is presented in accordance with Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Only the value of new loans disbursed during fiscal year 2020 is included in the accompanying schedule. The opening loan balance is not included because there are not ongoing compliance requirements related to the balance.

**2) Subrecipients, Including Loans Outstanding**

<u>Subrecipient Name</u>	<u>Pass-Through Funds</u>
<b><u>State Revolving Fund</u></b>	
Albuquerque Bernalillo County WUA	\$ 976,372
Cimarron, Village	213,109
Dona Ana MDWCA	23,259
Eagle Nest, Village	88,037
Eldorado Area WSD	470,910
Farmington, City	2,320,256
Galisteo MDWCA	6,221
Las Vegas, City	199,029
Los Lunas, Village	1,384,468
Lower Des Montes MDWCA	30,002
Lower Rio Grande Public Works Authority	269,892
Magdalena, Village	106,634
Miami DWUA	8,092
Red River, Town	192,657
Roswell, City	2,872,096
San Cristobal MDWCA	30,209
Valley Estates MSWA	88,286
NMED Drinking Water Bureau	<u>1,879,428</u>
<b>Total Expenditures of Federal Awards</b>	<b><u>\$ 11,158,957</u></b>

**NEW MEXICO FINANCE AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2020**

**Prior Audit Findings**

The fiscal year 2019 Single Audit of the DWSRLF program resulted in no findings.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
New Mexico Finance Authority

Brian S. Colón, Esq.  
New Mexico Office of the State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the enterprise and agency fund for New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise NMFA's basic financial statements, and have issued our report thereon dated October 9, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NMFA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NMFA's internal control. Accordingly, we do not express an opinion on the effectiveness of NMFA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs as item 2020-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NMFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **NMFA's Response to Findings**

NMFA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. NMFA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 9, 2020

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Governing Board  
New Mexico Finance Authority

Brian S. Colón, Esq.  
New Mexico Office of the State Auditor  
Santa Fe, New Mexico

### **Report on Compliance for the Major Federal Program**

We have audited New Mexico Finance Authority's (NMFA) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on NMFA's major federal program for the year ended June 30, 2020. NMFA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for NMFA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NMFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of NMFA's compliance.

#### ***Opinion on the Major Federal Program***

In our opinion, NMFA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of NMFA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NMFA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NMFA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 9, 2020

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

**Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Major Federal Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
66.468	Drinking Water State Revolving Funds - Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**New Mexico Finance Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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**Section II – Financial Statement Findings**

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**Finding 2020-001: Interest income and interest receivable (Significant Deficiency in Internal Controls)**

**Condition:** The Authority accrued \$13 million of interest income that applied to future reporting periods resulting in an overstatement of interest receivable as of June 30, 2020.

**Criteria:** Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Cause:** During the year, a new loan management system was implemented. Management’s financial close and reporting controls failed to identify the error that occurred in the accrual methodology used in prior years that was applied to a report run in the new loan management system.

**Effect:** An adjusting entry was necessary to properly reflect interest amounts earned and reported in the current year-end financial statements.

**Auditor’s Recommendations:** We recommend the Authority develop control and review processes to properly calculate and review interest accruals for each reporting period.

**Views of responsible officials and planned corrective actions:** Management agrees. The error was the result of a math error embedded in the formula used to estimate current accrued receivables. The formula was new this year and was intended to provide a closer measurement of the asset through the use of new technology (Enable). Unfortunately, the more complex formula masked an error that was not detected until after the financial statements had been drafted. The new figure is derived from the traditional method used historically and has been verified as accurate. Until Enable is fully implemented in fiscal year 2021, the NMFA will utilize the traditional method. Upon implementation of Enable, accrued receivables will be measured exactly, not estimated, by an automated functionality embedded in Enable.

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**Section III – Federal award findings and questioned costs**

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No matters reported

**NEW MEXICO FINANCE AUTHORITY**  
**CORRECTIVE ACTION PLAN**  
**JUNE 30, 2020**



**Corrective Action Plan**

Management agrees with the significant deficiency in internal controls. The error was the result of a math error embedded in the formula used to estimate current accrued receivables. The formula was new this year and was intended to provide a closer measurement of the asset through the use of new technology (EnABLE). Unfortunately, the more complex formula masked an error that was not detected until after the financial statements had been drafted. The new figure is derived from the traditional method used historically and has been verified as accurate. Until EnABLE is fully implemented in fiscal year 2021, NMFA will utilize the traditional method. Upon implementation of EnABLE, accrued receivables will be measured exactly, not estimated, by an automated functionality embedded in EnABLE.

**NEW MEXICO FINANCE AUTHORITY**  
**EXIT CONFERENCE**  
**JUNE 30, 2020**

An exit conference was conducted on September 24, 2020, in which the contents of this report were discussed. The following individuals attended this meeting:

New Mexico Finance Authority:

Marquita D. Russel, CEO  
Oscar Rodriguez, CFO  
Katherine Miller, NMFA Board Chair  
Steve Kopelman, NMFA Vice Chair  
Leslie Nathanson Juris, NMFA Board Secretary  
Andrew Burke, NMFA Board Member  
Jon Clark, Designee for Secretary, NM Economic Development  
Judi Kahl, Designee for Secretary, NM Environment Dept.  
Marcos Trujillo, Designee for Acting Secretary, Dept. of Finance & Administration  
Matthew Lovato, Designee for NMFA Board Member  
Daniel Opperman, Chief Legal Officer  
Adam Johnson, Chief of Program Operations  
Dora Cde Baca, Chief Administrative Officer  
Michael Zavelle, Chief Financial Strategist  
Bryan Otero, Legal & Compliance Counsel  
Norman Vuylsteke, Controller

Moss Adams LLP:

Laurie Tish, CPA, Partner  
Aaron Hamilton, CPA, Senior Manager

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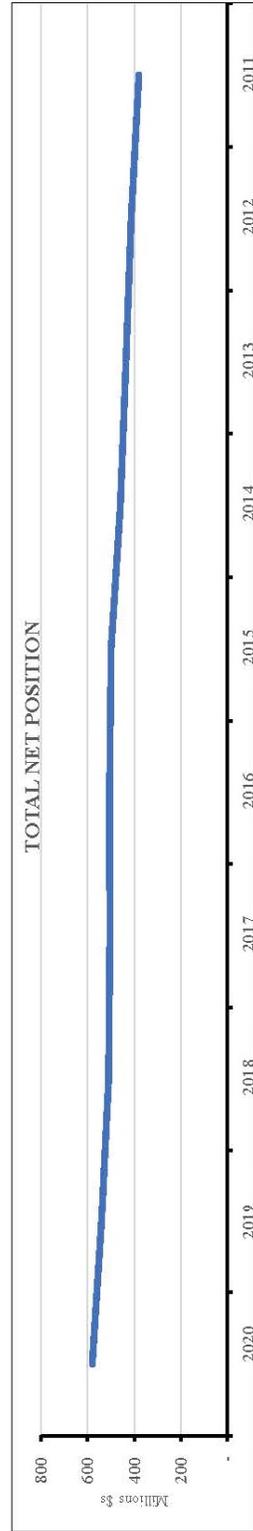
**Statistical  
Information  
(Unaudited)**

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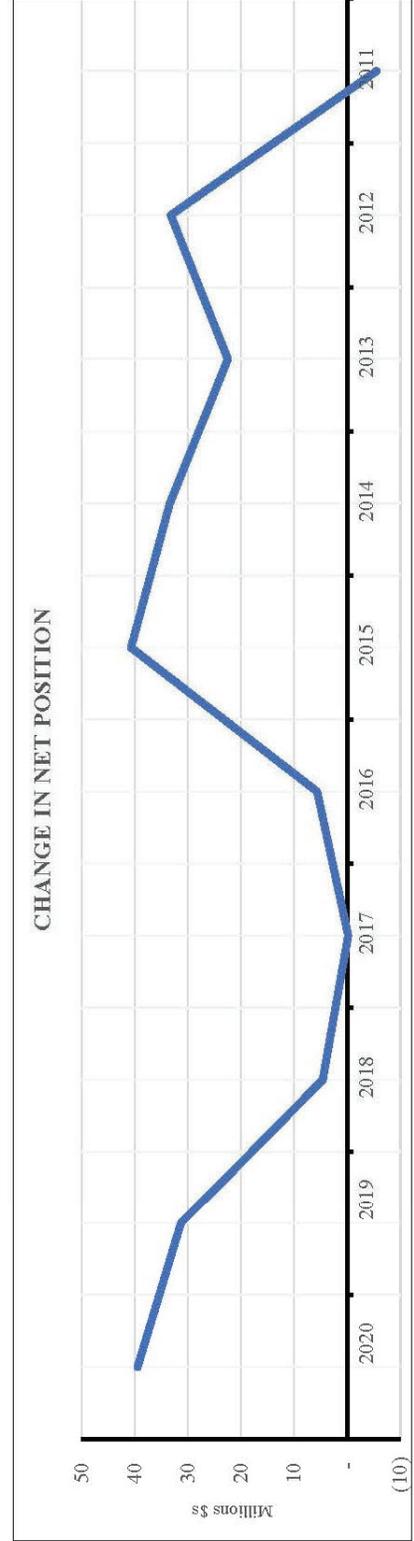
# Net Position at June 30, 2020-2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 16,168,067	\$ 28,057,865	\$ 23,271,873	\$ 22,761,512	\$ 15,433,532	\$ 21,656,317	\$ 19,792,613	\$ 116,073,324	\$ 80,351,262	\$ 119,475,379
Unrestricted	320,578,471	265,510,263	237,742,689	218,397,691	135,135,587	113,366,876	112,880,142	109,965,262	106,424,138	135,349,071
Restricted	9,248,674	8,643,830	7,952,079	5,370,899	8,505,073	6,657,501	7,431,412	8,307,828	8,452,919	9,077,480
Interest receivable	744,725	21,293	358,508	13,271	890,213	950,402	2,640,545	2,539,414	2,539,291	3,758,591
Grants and other receivables	183,683	162,281	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Prepaid Expenses	868,179	2,041,713	2,106,456	191,034	190,938	186,043	212,343	302,606	302,606	402,664
Administrative fees receivable	141,334,892	164,921,253	148,575,374	115,007,192	103,129,270	102,634,676	100,725,825	104,299,277	97,952,218	90,934,160
Loans receivable, net of allowance	489,126,691	469,358,498	420,026,479	362,016,061	263,304,113	245,476,306	243,676,080	341,416,948	296,041,934	359,016,845
Total current assets	369,252,126	408,804,383	361,758,979	385,451,491	332,151,402	280,161,230	183,692,467	131,565,455	125,496,887	119,189,886
Non-current assets	1,583,144,346	1,477,364,288	1,399,561,290	1,375,061,044	1,248,615,416	1,182,253,535	1,196,589,461	1,252,207,315	1,349,755,414	1,272,261,370
Restricted investments	1,794,248	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772	239,589	187,411
Capital assets, net of accumulated depreciation	2,443,317,411	2,356,581,288	2,182,046,597	2,123,145,190	1,844,349,847	1,707,895,738	1,624,062,386	1,735,575,970	1,782,294,032	1,761,269,579
Deferred cost, net of accumulated amortization	693,665	743,687	793,710	843,732	823,233	184,242	1,191,181	-	-	-
Defered loss on refunding	693,665	743,687	793,710	843,732	823,233	184,242	1,191,181	-	-	-
<b>Total Deferred Outflows of Resources</b>										
Deferred Outflows of Resources	455,273	406,729	353,917	302,821	307,297	244,901	292,954	473,039	199,643	286,162
Accounts payable	262,446	209,802	233,251	243,439	176,438	112,716	91,540	84,120	94,751	110,991
Accrued payroll	526,988	461,476	421,635	328,848	332,213	285,923	273,440	274,077	276,994	295,994
Compensated absences	7,942,372	4,072,142	3,960,649	4,183,050	3,525,287	3,482,270	3,625,714	3,961,874	4,287,863	4,303,121
Funds held for others	320,840,186	289,941,611	267,191,118	226,600,234	135,624,986	71,940,001	28,744,630	45,485,333	73,864,493	74,534,357
Bond interest payable	89,526,221	96,202,732	86,386,698	86,308,780	83,008,008	74,332,049	72,189,707	68,380,111	70,884,890	76,070,383
Undisbursed loan proceeds	116,270,000	117,215,000	101,240,000	123,840,000	78,040,000	75,943,000	70,430,000	84,400,000	81,431,000	72,569,000
Advanced loan payments	1,033,471	3,134,791	2,423,220	619,727	532,591	771,924	574,632	750,663	984,567	-
Line of credit	536,856,957	511,644,283	462,210,488	442,426,899	301,546,820	227,112,784	188,228,915	204,095,095	233,558,543	230,953,379
Bonds payable, net	1,322,671,647	1,300,084,801	1,205,629,907	1,170,459,183	1,036,408,718	980,960,674	977,711,351	1,096,005,517	1,135,687,299	1,150,473,042
Cost of loan issuance payable	1,859,528,604	1,811,729,084	1,667,840,395	1,612,886,082	1,337,955,538	1,208,073,458	1,165,940,266	1,300,100,612	1,369,245,842	1,381,426,421
Other liabilities	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-	-	-
Total current liabilities	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-	-	-
Non-current Liabilities	1,794,248	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772	239,589	187,411
Bonds payable	562,815,584	515,633,477	492,583,687	486,992,135	495,576,466	483,282,743	445,061,112	211,361,534	270,853,544	260,624,937
Deferred Inflows of Resources	16,168,066	24,628,450	16,744,689	17,830,583	9,786,983	16,718,912	14,147,811	223,893,052	141,955,057	119,030,810
Deferred gain on refunding	580,777,898	541,316,046	510,028,025	505,439,312	505,642,365	500,006,522	459,313,301	433,475,358	413,048,190	379,843,158
Cost of loan issuance payable										
Other liabilities										
<b>Total Deferred Inflows of Resources</b>										
Deferred Inflows of Resources	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-	-	-
Deferred gain on refunding	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-	-	-
Other liabilities										
<b>Net Position</b>										
Net investment in capital assets	1,794,248	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772	239,589	187,411
Restricted for program commitments	562,815,584	515,633,477	492,583,687	486,992,135	495,576,466	483,282,743	445,061,112	211,361,534	270,853,544	260,624,937
Unrestricted	16,168,066	24,628,450	16,744,689	17,830,583	9,786,983	16,718,912	14,147,811	223,893,052	141,955,057	119,030,810
Total Net Position	\$ 580,777,898	\$ 541,316,046	\$ 510,028,025	\$ 505,439,312	\$ 505,642,365	\$ 500,006,522	\$ 459,313,301	\$ 433,475,358	\$ 413,048,190	\$ 379,843,158



# Revenue, Expenses and Changes in Net Position for Year Ending June 30, 2020-2011

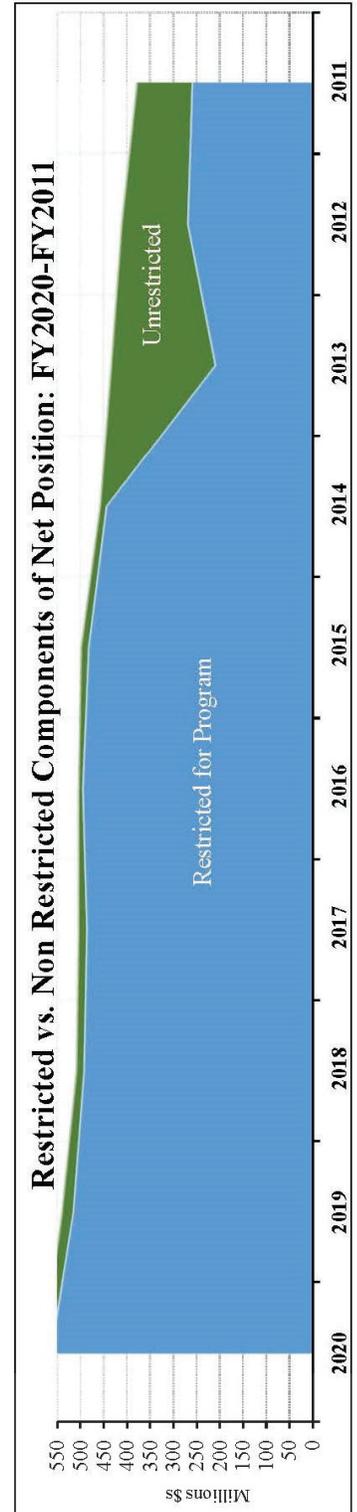
	(restated)										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
<b>Operating Revenue</b>											
Interest on loans	\$ 52,792,559	\$ 51,584,322	\$ 52,732,085	\$ 47,865,124	\$ 51,736,376	\$ 48,645,757	\$ 48,723,703	\$ 52,942,880	\$ 54,459,612	\$ 55,572,510	
Administrative fees revenue	6,828,344	6,396,595	5,460,694	5,701,200	7,049,654	3,197,684	3,589,843	3,395,491	7,352,753	6,808,876	
Interest on investments	8,598,789	7,919,934	2,964,201	946,513	2,195,762	925,910	488,741	139,403	436,387	805,923	
<b>Total Operating Revenue</b>	<u>68,219,692</u>	<u>65,900,851</u>	<u>61,156,980</u>	<u>54,512,837</u>	<u>60,981,792</u>	<u>52,769,351</u>	<u>52,802,287</u>	<u>56,477,774</u>	<u>62,248,752</u>	<u>63,187,309</u>	
<b>Operating Expenses</b>											
Bond interest expense	50,720,720	47,690,534	45,522,536	51,088,846	45,756,069	37,761,525	54,319,247	53,026,726	55,005,184	56,305,515	
Grants to others	31,480,701	34,104,721	36,143,867	51,299,208	47,888,370	54,240,349	50,824,441	48,828,884	42,063,551	53,887,305	
Loan financing pass-through	10,640,130	12,943,547	7,059,254	17,476,331	21,455,228	8,945,997	-	-	-	-	
Salaries and benefits	5,108,045	4,687,224	4,110,925	4,463,828	4,515,210	4,361,363	4,284,392	3,926,740	3,976,586	4,184,572	
Bond issuance costs	1,243,666	1,640,333	1,971,304	2,847,995	1,525,161	1,243,632	674,398	752,792	1,272,046	697,665	
Professional services	3,266,820	2,635,840	2,155,028	2,570,063	2,389,037	2,146,157	2,189,377	2,651,079	2,520,763	2,212,384	
Other operating costs	900,872	1,071,794	1,018,054	1,349,403	1,586,001	1,271,083	1,396,268	1,236,524	1,436,871	1,099,929	
Provision for loan losses	(294,021)	(849,582)	534,614	458,701	2,241	(2,370,845)	(822,108)	2,321,946	(1,501,594)	2,458,456	
Interest expense	7,826	266,620	331,022	395,624	296,138	489,859	298,359	277,596	114,479	376,341	
Rent and utilities	414,551	364,386	393,992	389,092	374,327	361,467	360,975	429,381	114,479	376,526	
Administrative fees	-	-	-	-	87,289	134,365	189,383	202,713	199,650	271,317	
Depreciation expense	197,844	66,289	51,674	3,240	2,191	102,187	116,394	168,246	146,719	110,011	
<b>Total Operating Expenses</b>	<u>103,687,154</u>	<u>104,621,706</u>	<u>99,292,270</u>	<u>132,342,331</u>	<u>125,877,262</u>	<u>108,687,139</u>	<u>113,831,126</u>	<u>113,822,627</u>	<u>105,348,734</u>	<u>121,980,021</u>	
<b>Net Operating Loss</b>	<u>(35,467,462)</u>	<u>(38,720,855)</u>	<u>(38,135,290)</u>	<u>(77,829,494)</u>	<u>(64,895,470)</u>	<u>(55,917,788)</u>	<u>(61,028,839)</u>	<u>(57,344,853)</u>	<u>(43,099,982)</u>	<u>(58,792,712)</u>	
<b>Non-operating Revenue (Expenses)</b>											
Appropriation revenue	50,326,048	42,953,352	36,463,733	34,578,969	33,127,879	37,157,026	43,086,860	34,033,130	43,146,845	34,842,554	
Grant Revenue	11,599,117	11,588,018	14,138,074	8,511,355	14,255,306	24,735,441	12,271,623	42,992	8,095,888	6,566,626	
Transfers from the State of New Mexico	19,783,240	19,865,510	26,451,664	44,943,059	42,347,680	39,295,779	42,953,373	48,649,056	33,787,328	36,358,202	
Transfers to the State of New Mexico	(6,779,091)	(4,398,004)	(34,329,468)	(10,406,942)	(19,199,552)	(4,577,237)	(3,931,693)	(2,953,157)	(8,725,047)	(24,481,147)	
<b>Increase (Decrease) in Net Position</b>	<u>39,461,852</u>	<u>31,288,021</u>	<u>4,588,713</u>	<u>(203,053)</u>	<u>5,635,843</u>	<u>40,693,221</u>	<u>33,351,324</u>	<u>22,427,168</u>	<u>33,205,032</u>	<u>(5,506,477)</u>	
Net position, beginning of year	541,316,046	510,028,025	505,439,312	505,642,365	500,006,522	459,313,301	425,961,977	413,048,190	379,843,158	385,349,635	
<b>Net Position, End of Year</b>	<u>\$ 580,777,898</u>	<u>\$ 541,316,046</u>	<u>\$ 510,028,025</u>	<u>\$ 505,439,312</u>	<u>\$ 505,642,365</u>	<u>\$ 500,006,522</u>	<u>\$ 459,313,301</u>	<u>\$ 435,475,358</u>	<u>\$ 413,048,190</u>	<u>\$ 379,843,158</u>	



\* Adjusted as the result of GASB 65 adoption effective July 1, 2013 and the blending of Finance New Mexico, LLC's financial statements into those of NMFA as a component unit.

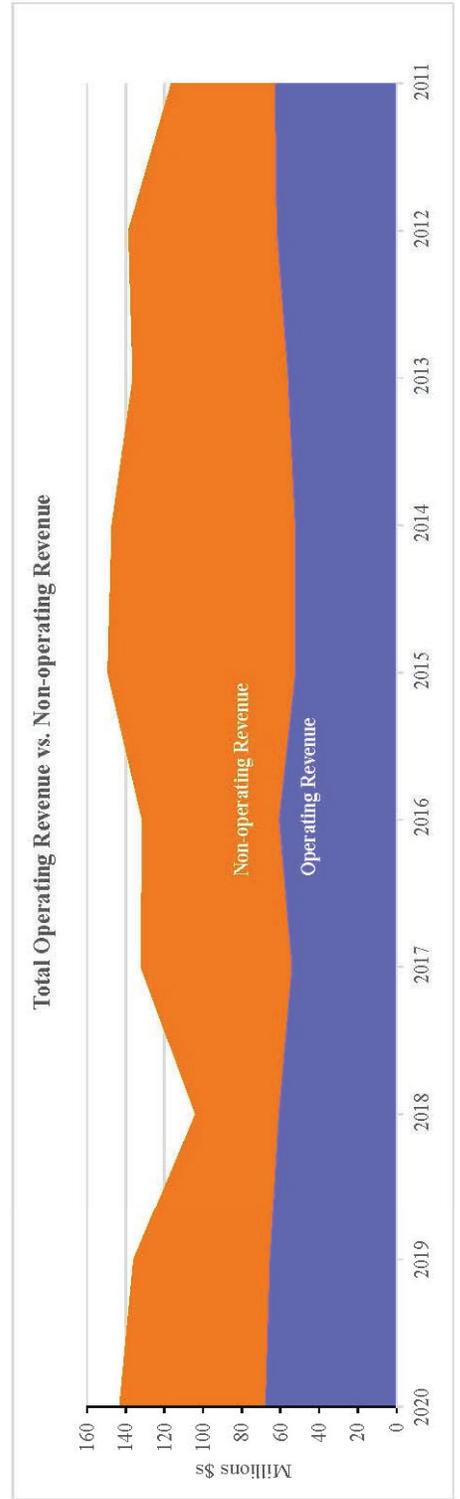
# Fund Balance by Component and Fund at June 30, 2020-2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Active Funds</b>										
<b>Net Investment in Capital Assets</b>										
NMFA Operating Fund	\$ 1,339,799	\$ 1,054,119	\$ 699,649	\$ -	\$ 244,840	\$ (29,209)	\$ 70,302	\$ 186,696	\$ 205,513	\$ -
Public Project Revolving Fund	454,449	-	-	616,594	34,076	34,076	34,076	34,076	34,076	-
All Other Funds	1,794,248	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772	239,589	187,411
<b>Subtotal</b>	<b>3,588,496</b>	<b>2,108,238</b>	<b>1,409,308</b>	<b>1,233,188</b>	<b>557,832</b>	<b>30,743</b>	<b>208,756</b>	<b>431,544</b>	<b>479,178</b>	<b>187,411</b>
<b>Restricted for Program Commitments</b>										
NMFA Operating Fund	5,135,267	2,541,369	5,338,137	-	-	-	-	-	-	-
Behavioral Health Fund	1,842,791	2,323,172	2,432,004	2,925,190	1,094	-	597,025	194,051	235,524	262,936
Colomas Infrastructure Fund	2,503,858	4,300,046	4,940,389	4,046,793	2,782,677	1,550,806	748,984	-	-	-
Drinking Water State Revolving Loan Fund	175,551,500	163,628,581	154,512,243	146,832,230	139,947,130	129,295,623	113,786,463	65,277,093	91,630,972	64,773,311
Smart Money	14,753,157	4,339,957	3,583,090	3,421,588	3,640,408	3,503,700	1,484,587	727,918	2,443,917	2,699,905
Local Government Planning	4,200,679	4,699,576	3,733,224	6,377,731	5,259,656	3,772,689	2,008,414	-	-	19,871
New Markets Tax Credits	12,137,895	7,516,786	6,626,660	5,380,909	4,925,437	1,106,244	943,048	-	-	-
Primary Care Capital Fund	8,512,737	4,489,737	5,118,055	5,087,130	5,058,321	5,034,374	5,019,197	3,875,916	-	4,724,857
Public Project Revolving Fund	284,304,933	269,660,436	252,098,185	258,208,608	281,401,983	287,239,542	272,672,623	122,050,527	148,769,888	153,993,052
State Small Business Collateral Initiative	1,349,257	2,713,397	2,913,150	7,502,469	8,047,723	12,782,087	7,952,315	1,687,667	-	-
Water Project Fund	51,823,510	49,250,518	51,066,117	45,552,974	43,016,131	37,485,323	37,720,991	14,787,301	27,898,358	20,228,117
All Other Funds (net)	-	169,902	222,433	1,656,513	1,495,906	1,492,355	2,127,465	2,761,061	(125,115)	13,922,888
<b>Subtotal</b>	<b>562,315,584</b>	<b>515,633,477</b>	<b>492,583,687</b>	<b>486,992,135</b>	<b>495,576,466</b>	<b>483,282,743</b>	<b>445,061,112</b>	<b>211,361,534</b>	<b>270,853,544</b>	<b>260,624,937</b>
<b>Unrestricted</b>										
NMFA Operating Fund	16,168,066	24,874,974	1,021,892	-	-	-	-	-	-	-
Behavioral Health Fund	-	(317,795)	(358,929)	(328,119)	(287,441)	(270,365)	(13,515)	398,036	355,008	310,593
Colomas Infrastructure Fund	-	(2,216,284)	(3,248,237)	(2,723,617)	(2,225,804)	(1,392,071)	(1,132,623)	(452,648)	(174,375)	-
Drinking Water State Revolving Loan Fund	-	(368,099)	(297,687)	(322,101)	(224,526)	-	-	35,742,295	-	21,095,526
Smart Money	-	(1,523,501)	(1,384,025)	(1,310,510)	(1,239,027)	(1,203,957)	(1,152,754)	-	-	-
Local Government Planning	-	-	-	-	-	-	-	341,987	(4,740)	305,107
New Markets Tax Credits	-	1,706,839	601,023	1,225,951	422,426	852,227	836,435	570,580	(252,228)	(212,577)
Primary Care Capital Fund	-	(5,770)	(569,089)	(541,577)	(516,710)	(474,819)	(386,271)	809,070	4,716,138	14,720
Public Project Revolving Fund	-	3,182,836	21,648,904	22,637,669	15,432,439	20,125,970	16,559,732	166,251,577	126,114,766	97,060,132
State Small Business Collateral Initiative	-	(704,750)	(669,162)	(689,055)	(1,126,631)	(710,826)	(545,545)	2,303,098	4,281,378	-
Water Project Fund	-	-	-	-	-	-	-	17,803,788	-	201,508
All Other Funds (net)	-	-	-	(118,058)	(447,743)	(207,247)	(17,648)	125,269	6,919,110	255,801
<b>Subtotal</b>	<b>16,168,066</b>	<b>24,628,450</b>	<b>16,744,690</b>	<b>17,830,583</b>	<b>9,786,983</b>	<b>16,718,912</b>	<b>14,147,811</b>	<b>223,893,052</b>	<b>141,955,057</b>	<b>119,030,810</b>
<b>Total Fund Balance</b>	<b>\$ 580,777,898</b>	<b>\$ 541,316,046</b>	<b>\$ 510,028,026</b>	<b>\$ 505,439,312</b>	<b>\$ 505,642,365</b>	<b>\$ 500,006,522</b>	<b>\$ 459,313,301</b>	<b>\$ 435,475,358</b>	<b>\$ 413,048,190</b>	<b>\$ 379,843,158</b>



# NMFA Net Revenue by Fund

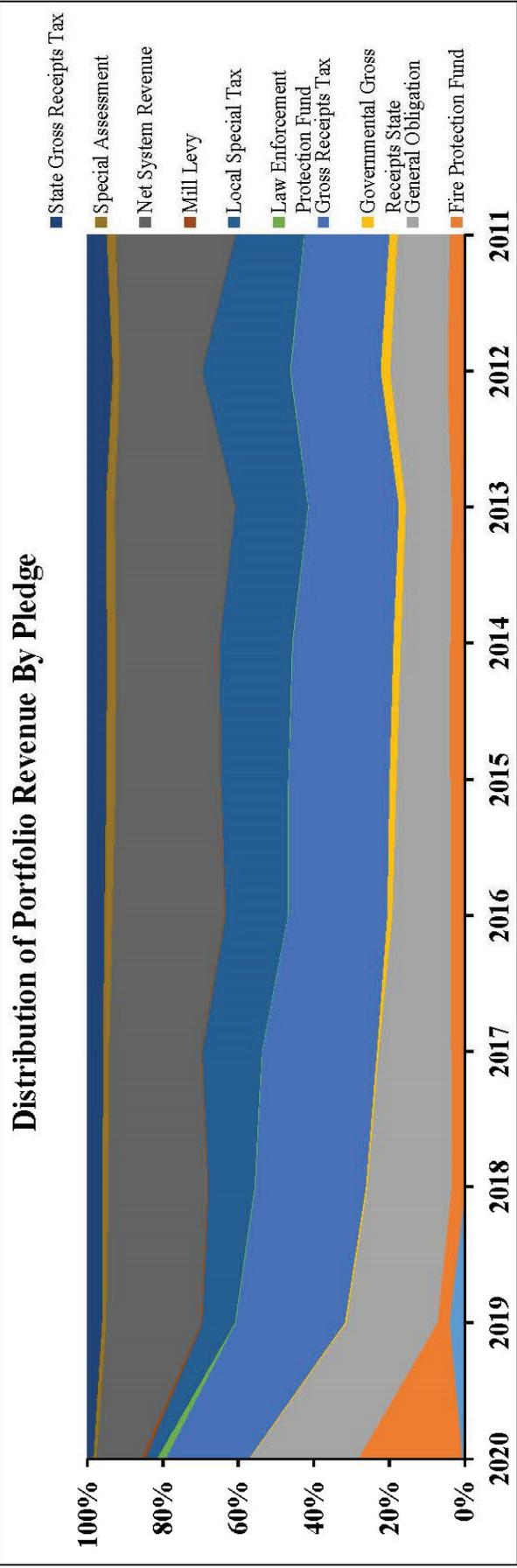
Active Funds	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Operating Revenue</b>										
NMFA Operating Fund	\$ 687,916	\$ 307,505	\$ 312,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Behavioral Health Capital Fund	52,208	89,419	51,632	41,207	1,093	5,912	(1,635)	7,666	13,027	9,771
Colonias Infrastructure Fund	5,301	25,376	10,187	2,454	300	6	-	-	-	-
Drinking Water State Revolving Loan Fund	3,823,839	3,632,817	2,341,972	1,875,997	2,066,809	1,631,012	1,382,342	1,285,397	1,377,439	1,189,290
Smart Money Loan Participation Program	343,012	96,701	41,888	84,766	128,537	143,529	62,039	27,762	35,793	240,040
Local Government Planning Fund	121,569	72,309	59,118	62,491	37,042	13,302	2,242	1,404	321	1,773
New Markets Tax Credits (includes FNM, LLC)	4,052,375	2,897,359	1,360,529	2,068,842	4,373,839	630,079	1,423,003	1,322,275	495,829	345,255
Primary Care Capital Fund	253,108	131,191	95,063	95,222	99,450	78,559	103,349	118,178	116,948	134,432
Public Project Revolving Fund	58,097,743	57,860,166	56,494,348	49,899,236	53,399,756	49,445,875	49,084,453	53,443,767	56,720,961	57,689,257
State Small Business Credit Initiative	82,378	178,534	121,147	137,430	218,002	181,109	119,852	15,711	5,424	-
Water Project Fund	700,110	605,573	259,360	232,583	191,607	146,436	133,238	56,220	95,984	70,139
All Other Programs	133	3,901	8,844	12,609	465,357	493,532	493,404	199,394	3,387,026	3,507,352
<b>Subtotal</b>	<b>68,219,692</b>	<b>65,900,851</b>	<b>61,156,979</b>	<b>54,512,837</b>	<b>60,981,792</b>	<b>52,769,351</b>	<b>52,802,287</b>	<b>56,477,774</b>	<b>62,248,752</b>	<b>63,187,309</b>
<b>Non-operating Revenue</b>										
NMFA Operating Fund	(6,047,840)	2,469,621	1,467,750	-	-	-	-	-	-	-
Behavioral Health Capital Fund	-	-	-	980,423	-	(841,844)	25,124	5,507	17,235	15,363
Colonias Infrastructure Fund	9,162,126	10,179,660	15,061,949	14,415,159	13,701,955	10,011,439	3,569,579	993,396	-	-
Drinking Water State Revolving Loan Fund	13,927,531	13,388,018	15,938,074	10,311,355	16,055,306	24,737,926	20,648,499	10,856,287	9,395,435	15,939,313
Smart Money Loan Participation Program	12,000,000	-	-	-	-	3,062	-	-	-	(1,900,000)
Local Government Planning Fund	410	3,000,000	-	3,000,000	3,000,000	4,000,000	2,495,683	1,000,000	-	500,000
New Markets Tax Credits (includes FNM, LLC)	-	(10)	-	-	(30)	-	(1,030)	120	-	-
Primary Care Capital Fund	4,000,000	-	-	405	-	(2,477)	-	-	-	(2,810,000)
Public Project Revolving Fund	21,580,018	8,650,234	936,483	14,391,199	10,082,729	21,360,486	20,091,556	19,261,053	26,751,071	24,547,129
State Small Business Credit Initiative	(143,337)	(309,031)	(4,621,640)	-	(5,000,000)	4,477,239	4,345,543	-	4,345,556	-
Water Project Fund	20,620,441	13,685,850	15,389,715	34,527,900	32,645,725	33,286,306	43,206,091	47,655,658	36,491,696	31,000,155
All Other Programs	(170,035)	(55,466)	(1,448,328)	-	-	(421,128)	(882)	-	(695,979)	(14,005,725)
<b>Subtotal</b>	<b>74,929,314</b>	<b>70,008,876</b>	<b>42,724,003</b>	<b>77,626,441</b>	<b>70,485,685</b>	<b>96,611,009</b>	<b>94,380,163</b>	<b>79,772,021</b>	<b>76,305,014</b>	<b>53,286,235</b>
<b>Total Revenue</b>	<b>\$ 143,149,006</b>	<b>\$ 135,909,727</b>	<b>\$ 103,880,982</b>	<b>\$ 132,139,278</b>	<b>\$ 131,467,477</b>	<b>\$ 149,380,360</b>	<b>\$ 147,182,450</b>	<b>\$ 136,249,795</b>	<b>\$ 138,553,766</b>	<b>\$ 116,473,544</b>



# Public Project Revolving Fund Pledged Revenue

Percent Distribution by Pledge Type at June 30: 2020-2011

<u>Type of Pledge</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Appropriation Loan	0.8%	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fire Protection Fund	27.7%	3.2%	3.6%	3.8%	3.8%	4.0%	4.1%	3.7%	4.8%	4.1%
General Obligation	28.7%	24.2%	22.4%	19.2%	15.7%	14.3%	13.1%	12.1%	15.2%	14.0%
Governmental Gross Receipts State	0.2%	0.4%	0.4%	0.5%	1.3%	1.8%	1.9%	1.8%	2.5%	2.1%
Gross Receipts Tax	22.1%	28.8%	29.2%	30.3%	26.1%	26.6%	26.6%	23.9%	23.7%	22.4%
Law Enforcement Protection Fund	2.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Local Special Tax	3.1%	8.6%	12.2%	15.8%	16.4%	17.8%	19.2%	19.2%	23.4%	18.2%
Mill Levy	1.0%	0.4%	0.2%	0.2%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
Net System Revenue	11.9%	25.1%	26.3%	24.4%	29.8%	27.8%	27.3%	31.9%	21.5%	31.5%
Special Assessment	0.8%	1.1%	1.5%	1.6%	2.1%	2.4%	2.4%	2.3%	2.0%	2.4%
State Gross Receipts Tax	1.5%	3.8%	3.9%	4.1%	4.4%	4.9%	5.0%	4.8%	6.6%	5.0%



### Debt Burden

Original vs. Outstanding Bond Principal at June 30, 2020

		Original	Outstanding
	Consolidated All PPRF Bonds	1,783,655,000	1,271,210,000
	Consolidated Senior Lien	1,349,960,000	948,960,000
	Consolidated Sub Lien	433,695,000	322,250,000
2020A Exempt Bonds	A – Senior	32,305,000	32,305,000
2020B Exempt Bonds	B – Senior	81,000,000	81,000,000
2019A Exempt Bonds	A – Subordinate	37,145,000	35,120,000
2019B Exempt Bonds	B – Senior	43,870,000	41,595,000
2019C1 Exempt Bonds	C1 – Subordinate	18,930,000	17,495,000
2019C2 Taxable Bond	C2 – Subordinate	12,480,000	11,740,000
2019D Exempt Bonds	D – Senior	53,260,000	52,280,000
2018A Exempt Bonds	A – Senior	124,330,000	107,770,000
2018B Exempt Bonds	B – Senior	22,530,000	18,100,000
2018C1 Exempt Bonds	C1 – Subordinate	19,400,000	18,340,000
2018C2 Taxable Bonds	C2 – Subordinate	13,175,000	11,530,000
2018D Exempt Bonds	D – Senior	53,310,000	45,115,000
2018E Taxable Bonds	E – Subordinate	70,205,000	63,155,000
2017A Exempt Bonds	A – Senior	60,265,000	50,635,000
2017B Exempt Bonds	B – Subordinate	68,015,000	35,175,000
2017C Exempt Bonds	C – Senior	37,675,000	24,220,000
2017D Exempt Bonds	D – Subordinate	41,395,000	29,685,000
2017E Exempt Bonds	E – Senior	40,190,000	32,580,000
2017F Taxable Bonds	F – Subordinate	19,315,000	14,035,000
2016A Exempt Bonds	A – Senior	52,070,000	34,330,000
2016B Taxable Bonds	B – Subordinate	8,950,000	1,580,000
2016C Exempt Bonds	C – Senior	67,540,000	61,195,000
2016D Exempt Bonds	D – Senior	116,485,000	88,705,000
2016E Exempt Bonds	E – Senior	40,870,000	25,615,000
2016F Exempt Bonds	F – Senior	38,575,000	27,735,000
2015A Exempt Bonds	A – Subordinate	63,390,000	45,470,000
2015B Exempt Bonds	B – Senior	45,325,000	31,820,000
2015C Exempt Bonds	C – Senior	45,475,000	43,760,000
2015D Exempt Bonds	D – Subordinate	29,355,000	19,730,000
2014A Exempt Bonds	A1 – Subordinate	15,135,000	11,665,000
2014A Taxable Bonds	A2 – Subordinate	16,805,000	7,530,000
2014B Exempt Bonds	B – Senior	58,235,000	33,070,000
2013A Exempt Bonds	A – Senior	44,285,000	21,875,000
2013B Exempt Bonds	B – Senior	16,360,000	8,155,000
2012A Exempt Bonds	A – Senior	24,340,000	14,640,000
2011B Exempt Bonds	B1 – Senior	42,735,000	15,575,000
2011B Taxable Bonds	B2 – Senior	14,545,000	7,170,000
2011C Exempt Bonds	C – Senior	53,400,000	24,080,000
2010A1 Exempt Bonds	A1 – Senior	15,170,000	-
2010A2 Taxable Bonds	A2 – Senior	13,795,000	9,435,000
2010B1 Exempt Bonds	B1 – Senior	38,610,000	-
2010B2 Taxable Bonds	B2 – Senior	17,600,000	16,200,000
2009C Exempt Bonds	B – Senior	55,810,000	-

## PPRF Senior and Subordinate Lien Debt Service Coverage

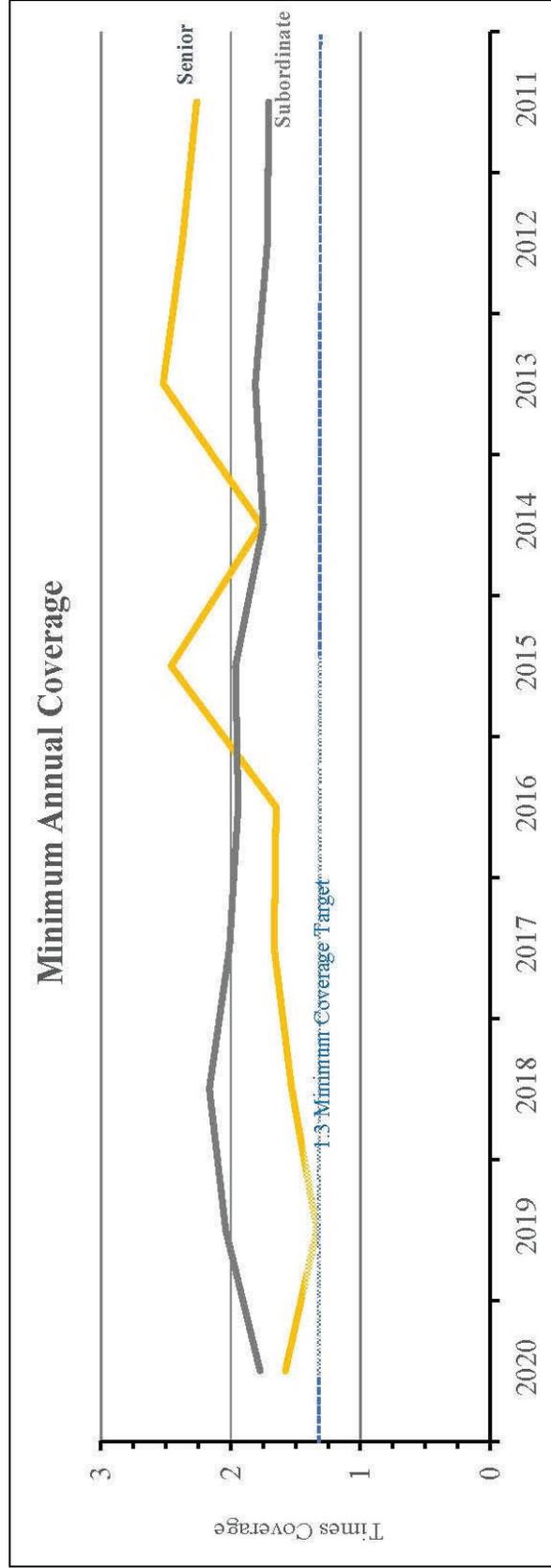
2020   2019   2018   2017   2016   2015   2014   2013   2012   2011

### Senior Lien Bonds

Annual Coverage at June 30      1.37    1.35    1.32    1.32    1.46    1.48    1.65    1.32    1.38    1.37

### Subordinate Lien Bonds

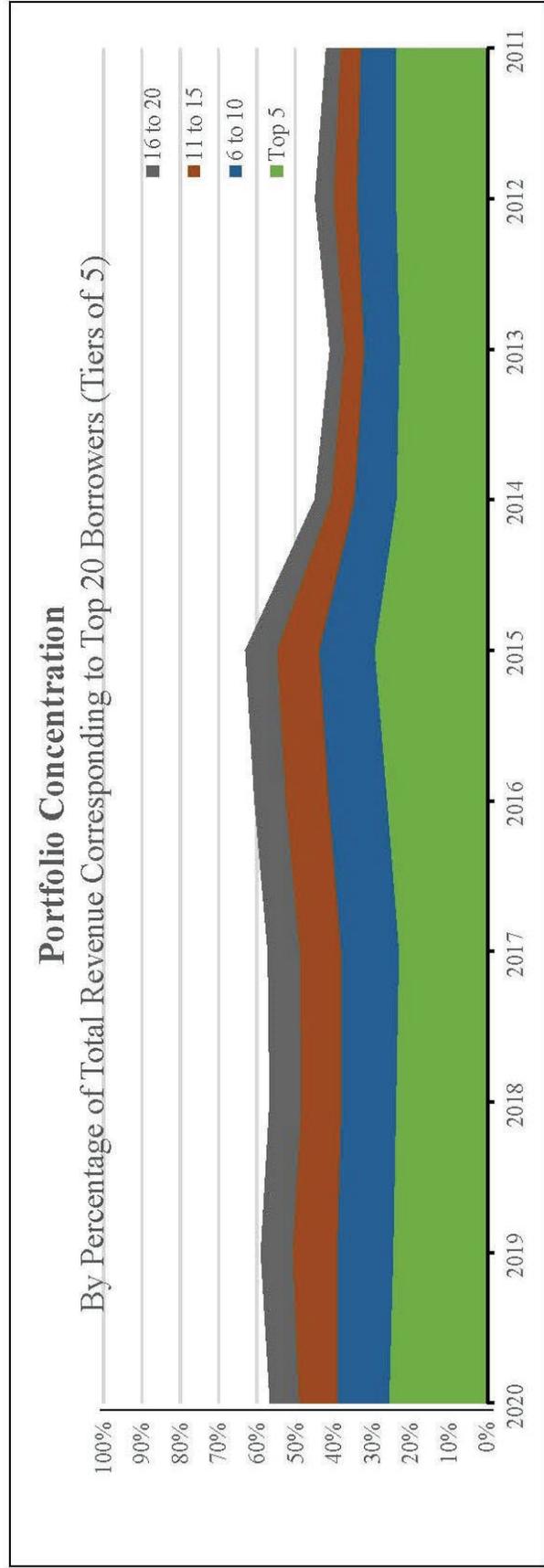
Annual Coverage at June 30      2.00    1.77    2.04    2.39    2.08    2.26    2.38    2.03    2.20    2.06



# Public Project Revolving Fund Concentration

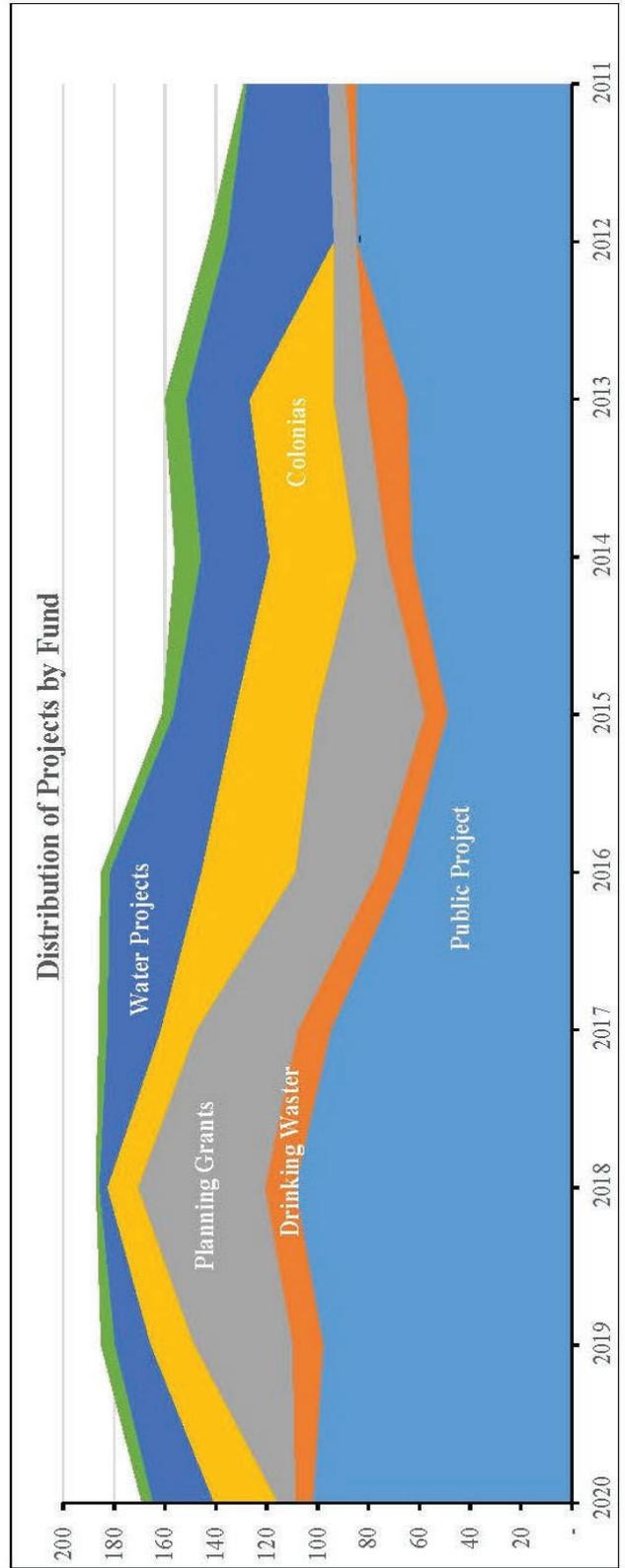
Distribution of Portfolio Revenue Among the Top 20 Borrowers at June 30: FY2020-2011

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Top 4 Tiers of Borrowers</b>										
<b>Top 5</b>	25.7%	24.6%	23.9%	23.1%	26.3%	29.4%	23.8%	23.0%	23.8%	24.0%
<b>6 to 10</b>	13.5%	14.7%	14.3%	15.2%	15.1%	14.5%	10.9%	9.3%	10.2%	9.1%
<b>11 to 15</b>	9.9%	11.5%	10.3%	10.7%	11.2%	10.9%	6.0%	5.0%	6.0%	5.2%
<b>16 to 20</b>	7.5%	8.2%	8.2%	8.2%	8.0%	8.1%	4.2%	3.7%	4.8%	3.7%
<b>Remainder of Portfolio</b>	43.4%	41.0%	43.3%	42.8%	39.4%	37.0%	55.1%	59.0%	55.2%	58.0%



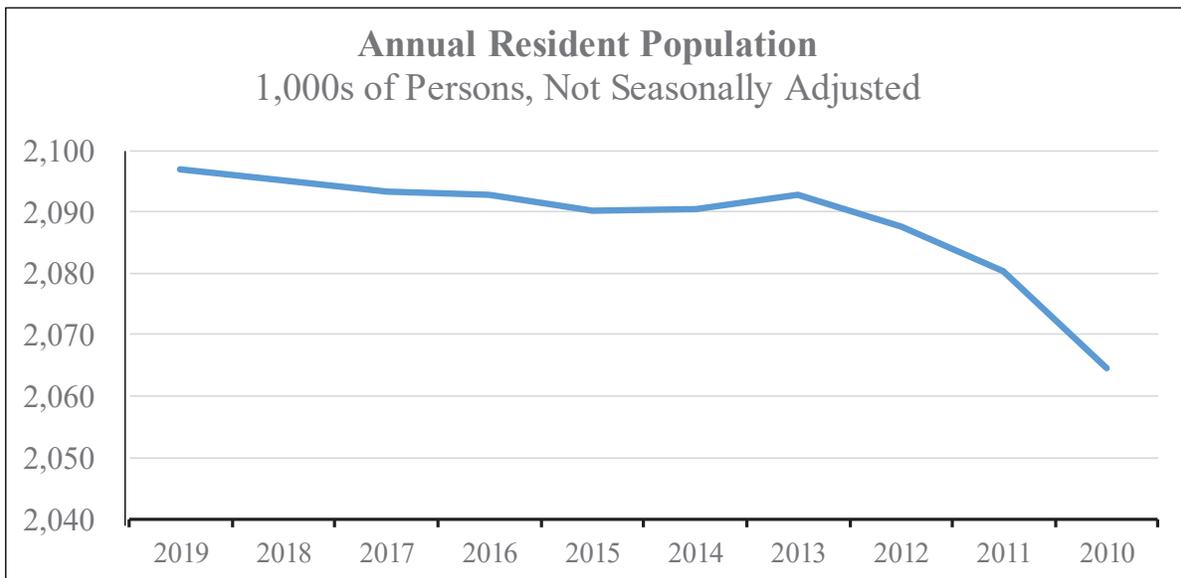
## Number of New Projects by Fund: 2020-2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Public Lending</b>										
Public Project Revolving Fund	102	98	109	95	67	49	63	65	85	85
Drinking Water State Revolving Loan Fund	7	12	12	13	10	9	10	16	-	4
Local Government Planning Fund	7	39	50	40	32	43	12	13	9	7
Colonias Infrastructure Fund	25	17	12	14	37	32	34	33	-	-
Water Project Fund	24	14	3	21	36	24	27	25	42	32
<b>Private Lending</b>										
Behavioral Health Capital Fund	-	1	-	-	-	-	1	-	-	-
New Markets Tax Credits	3	4	1	3	1	-	3	2	4	1
Economic Development/Smart Money	1	-	-	-	-	-	-	2	-	-
Primary Care Capital Fund	-	-	-	-	-	1	-	-	1	-
State Small Business Collateral Initiative	-	-	-	-	2	3	6	4	2	-
<b>Total</b>	<b>169</b>	<b>185</b>	<b>187</b>	<b>186</b>	<b>185</b>	<b>161</b>	<b>156</b>	<b>160</b>	<b>143</b>	<b>129</b>



# New Mexico Resident Population

<b>Observation Date (January 1)</b>	<b>1,000s of Persons, Annual, Not Seasonally Adjusted</b>
2019	2,097
2018	2,095
2017	2,093
2016	2,093
2015	2,090
2014	2,090
2013	2,093
2012	2,088
2011	2,080
2010	2,065

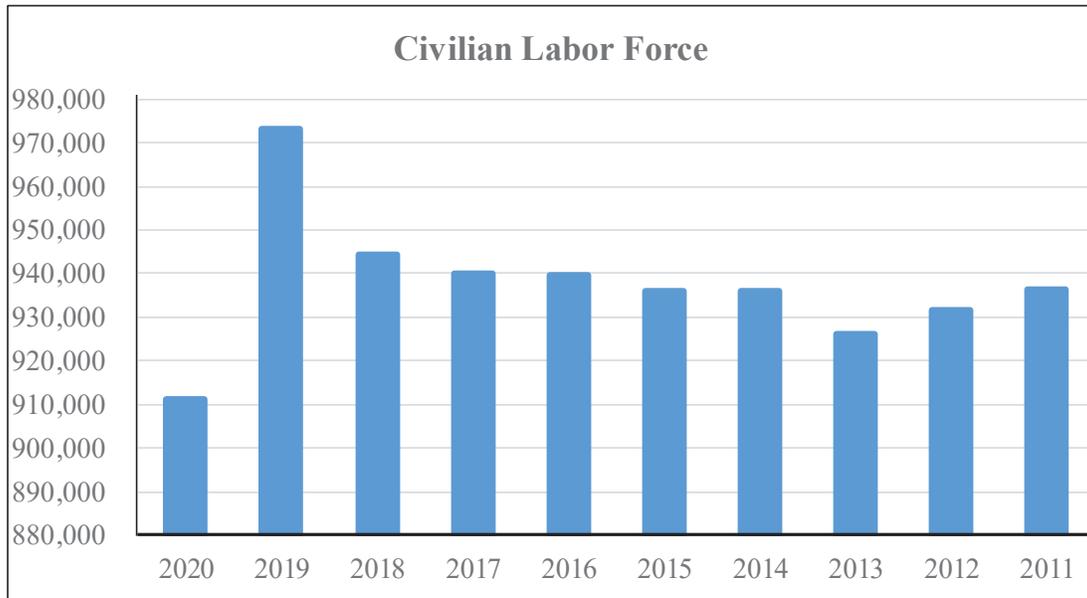


Federal Reserve Economic Data  
Link: <https://fred.stlouisfed.org>  
Federal Reserve Bank of St. Louis  
Updated: Jan 13, 2020

## Civilian Labor Force in New Mexico

### Persons, Not Seasonally Adjusted

<u>Observation Date</u> (July 1)	<u>Civilian Labor</u> <u>Force</u>
2020	911,029
2019	973,041
2018	944,247
2017	939,847
2016	939,676
2015	936,140
2014	935,834
2013	925,970
2012	931,480
2011	936,226

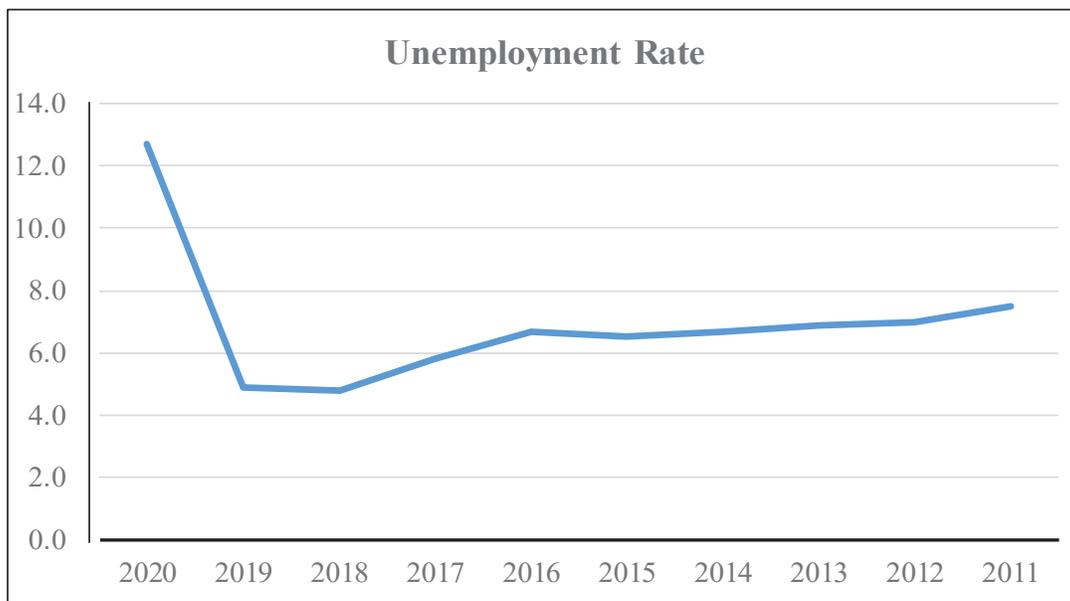


Federal Reserve Economic Data  
 Link: <https://fred.stlouisfed.org>  
 Federal Reserve Bank of St. Louis  
 Updated: Aug 21, 2020

# Unemployment Rate in New Mexico

## Percent, Monthly, Seasonally Adjusted

<u>Observation Date</u> <u>(July 1)</u>	<u>% Unemployed</u>
2020	12.7
2019	4.9
2018	4.8
2017	5.8
2016	6.7
2015	6.5
2014	6.7
2013	6.9
2012	7.0
2011	7.5

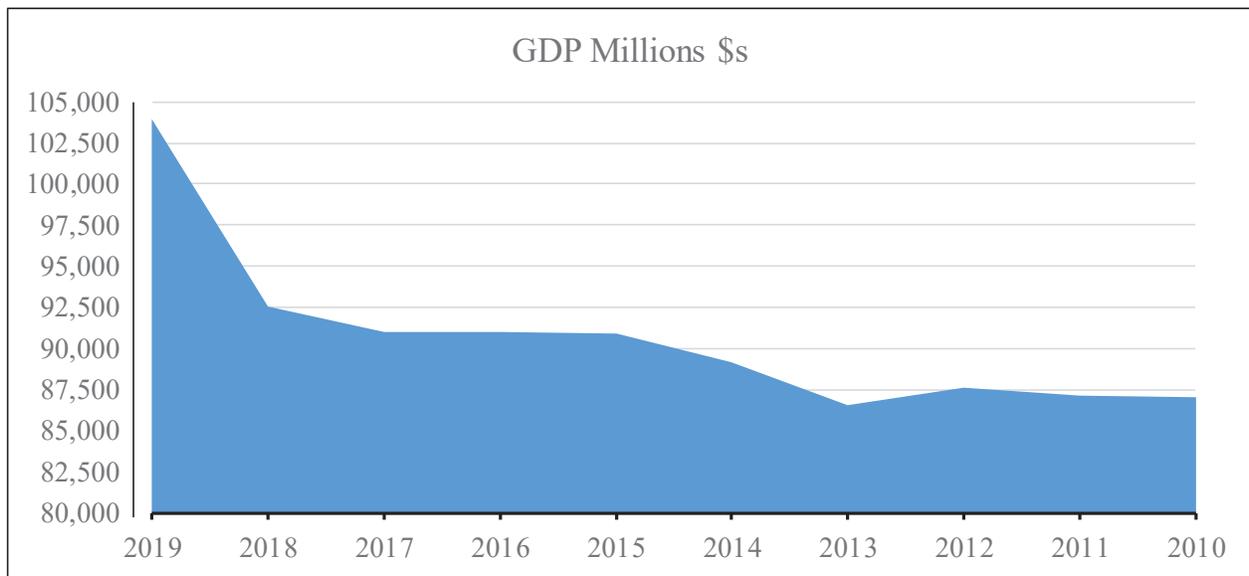


Link: <https://fred.stlouisfed.org>  
Economic Research Division  
Federal Reserve Bank of St. Louis  
Updated: Aug 21, 2020

# Annual Real Total Gross Domestic Product for New Mexico

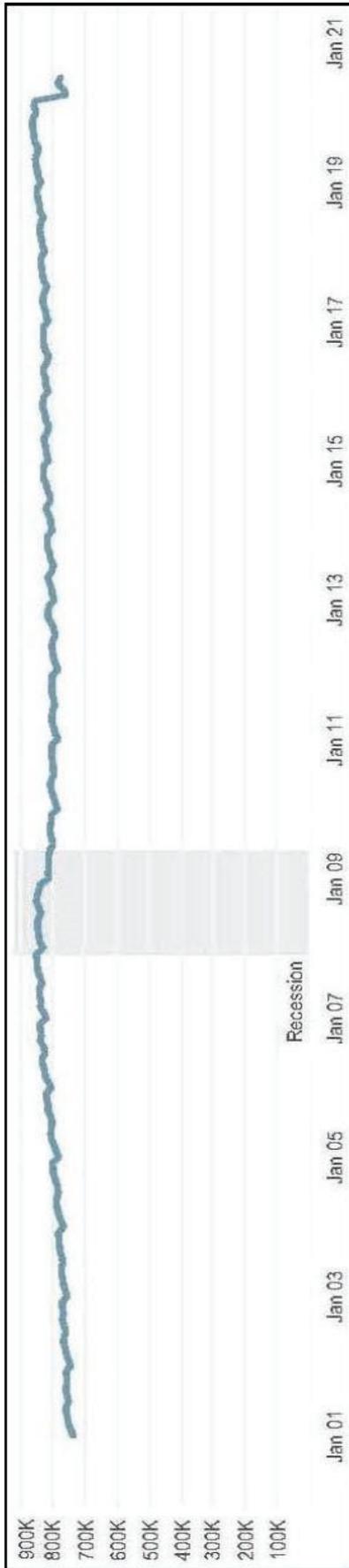
Millions \$s of Chained 2012 Dollars, Annual, Not Seasonally Adjusted

<u>Observation Date</u> <u>(January 1)</u>	<u>GDP Millions \$s</u>
2019	104,001
2018	92,591
2017	90,989
2016	90,970
2015	90,868
2014	89,151
2013	86,506
2012	87,602
2011	87,166
2010	87,004

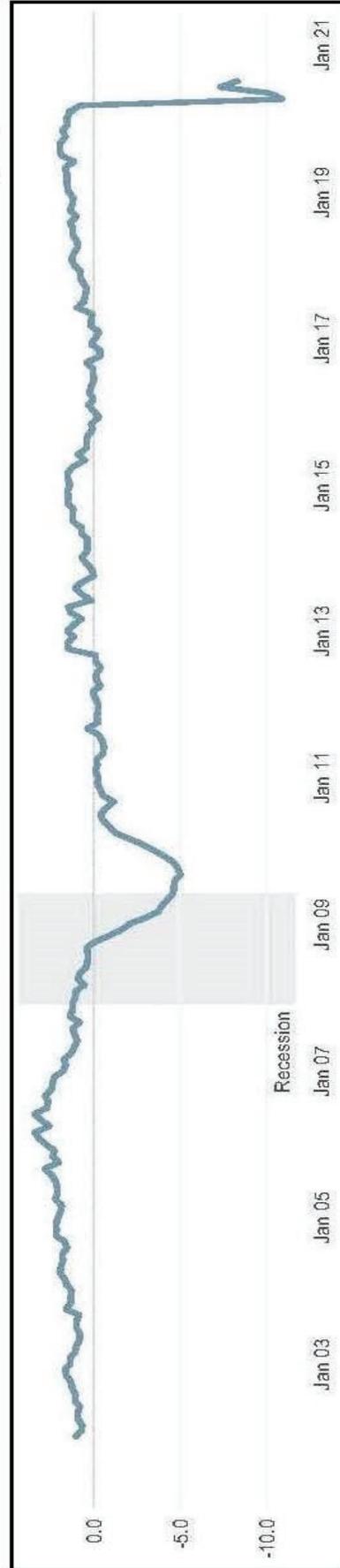


Link: <https://fred.stlouisfed.org>  
Economic Research Division  
Federal Reserve Bank of St. Louis  
Updated: Apr 7, 2020

## New Mexico Historical Total Nonfarm Employment



## New Mexico Historical Total Nonfarm Over-the-Year Job Growth (%)



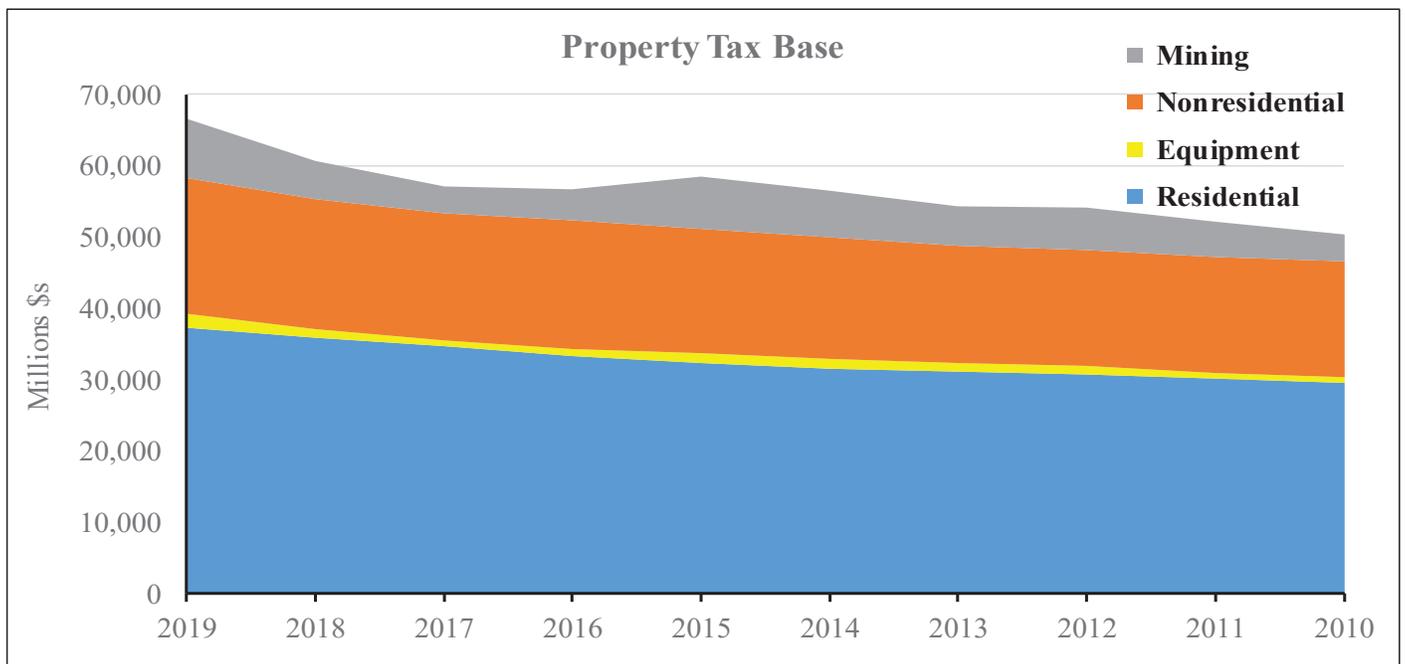
<https://www.dws.state.nm.us/en-us/Researchers/Data/Employment-Industry>



# Property Tax Base

Statewide

Total	Residential	Nonresidential	Mining	Equipment	Total
2019	37,271,533,189	19,012,390,512	8,372,712,631	1,904,105,905	66,560,742,237
2018	35,934,821,015	18,226,388,446	5,313,419,682	1,224,319,528	60,698,948,671
2017	34,681,545,958	17,912,620,169	3,836,399,452	742,949,817	57,173,515,396
2016	33,420,866,558	17,996,733,566	4,373,599,405	833,971,811	56,625,171,340
2015	32,283,583,025	17,454,632,250	7,253,704,992	1,421,044,437	58,412,964,704
2014	31,574,705,479	17,003,242,702	6,611,014,734	1,284,501,752	56,473,464,667
2013	31,198,735,901	16,457,453,232	5,516,713,745	1,064,032,866	54,236,935,744
2012	30,701,128,897	16,371,012,537	5,901,454,351	1,156,075,491	54,129,671,276
2011	30,069,455,982	16,073,611,208	5,001,033,904	985,167,547	52,129,268,641
2010	29,595,678,898	16,146,309,860	3,926,738,925	755,154,174	50,423,881,857



Source: [http://nmdfa.state.nm.us/Property\\_Tax\\_Facts.aspx](http://nmdfa.state.nm.us/Property_Tax_Facts.aspx)

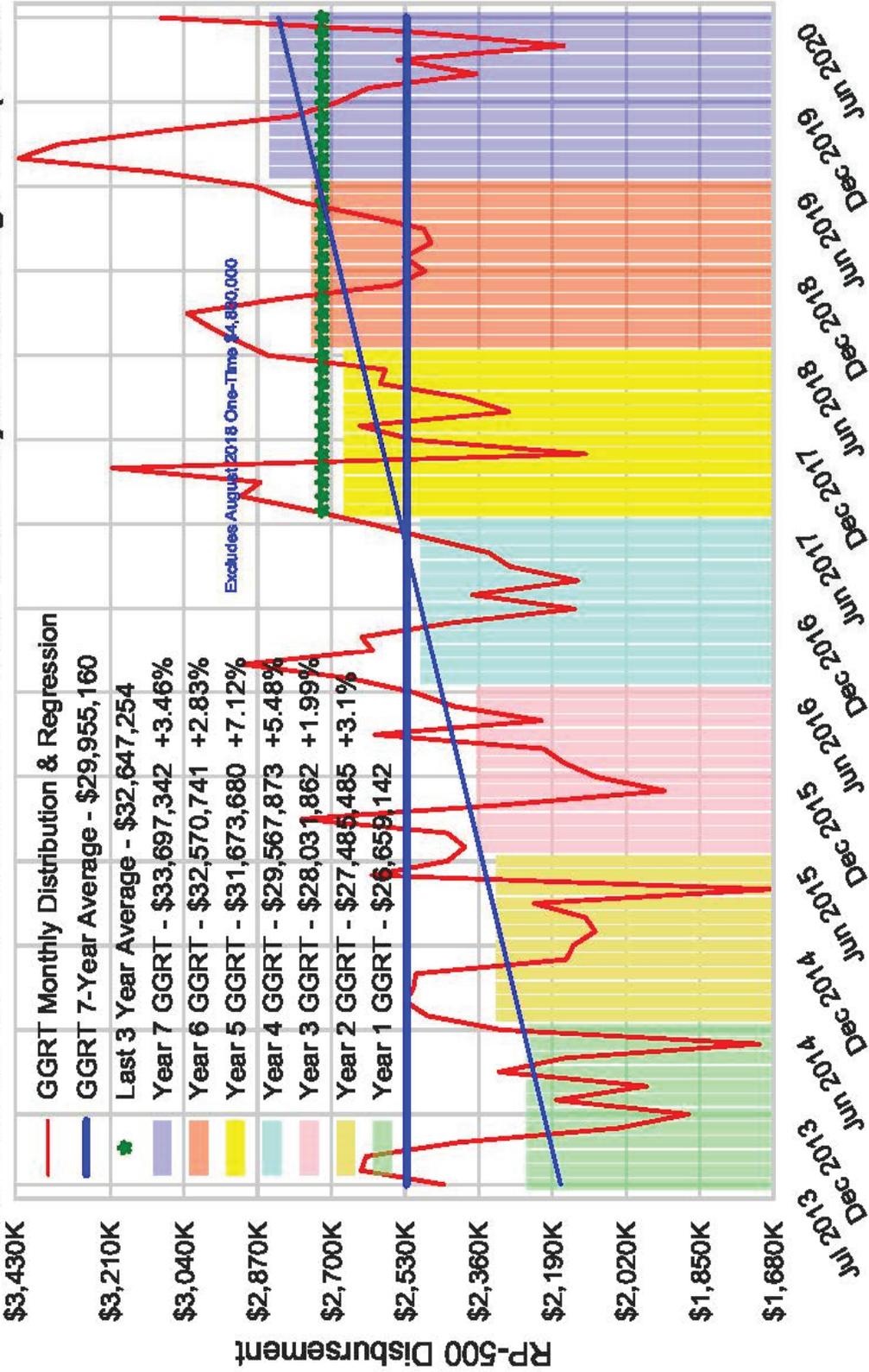
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**Other  
Information  
(Unaudited)**

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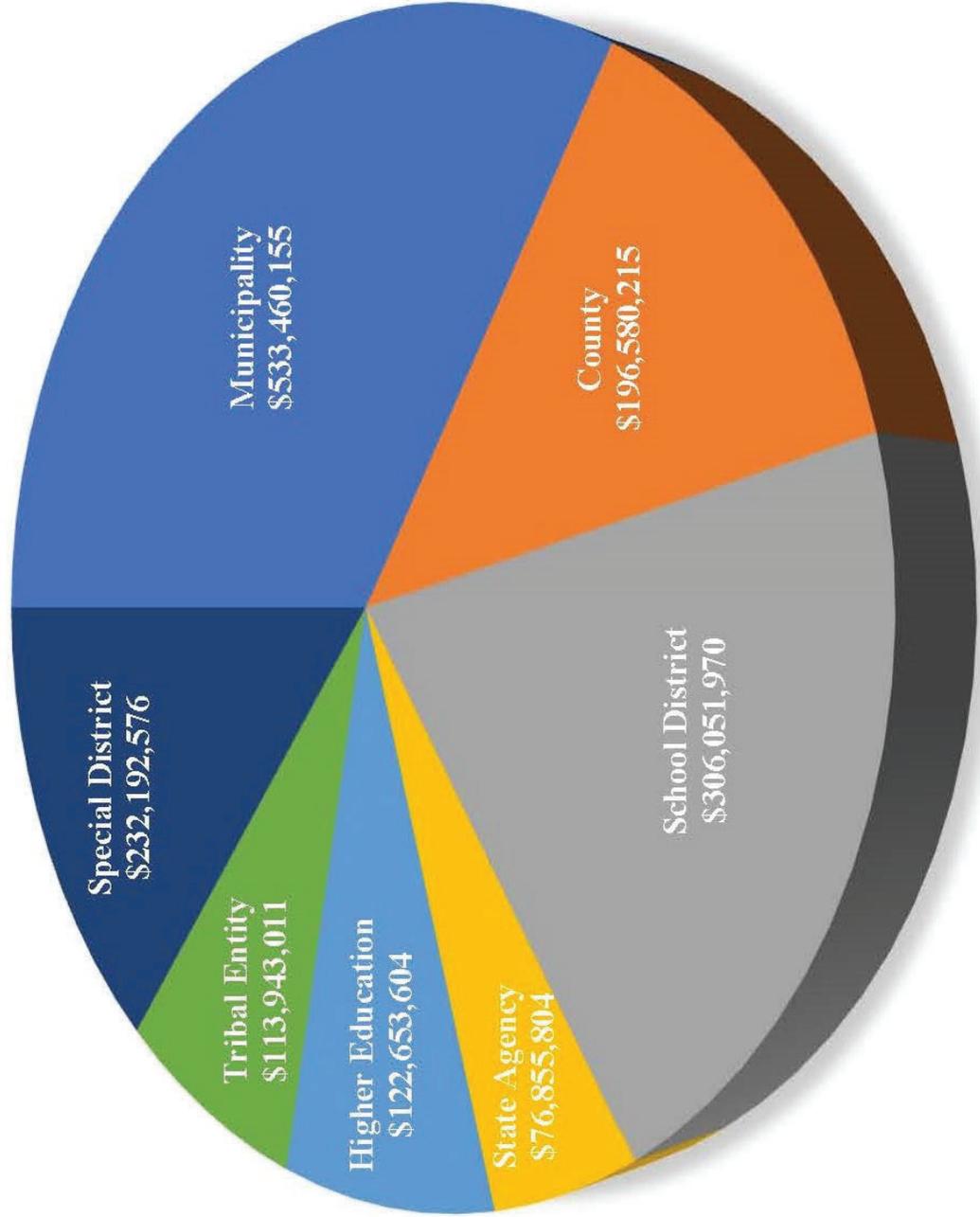


### GGRT Normalized Distributions for NMFA Public Project Revolving Fund ( CRSPPR )



Tax & Rev Distributions for NMFA PPRF GGRT Share Last 84 Months Thru Jun 2020

# PPRF Outstanding Portfolio by Client Type



# PPRF Outstanding Portfolio by Revenue Type

